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ARGUMENTS AS TO THE TRUE VALUE OF THE GENERAL PROPERTY IN WISCONSIN

January, 1904

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By

FRANK P. CRANDON
THOMAS H. BROWN
ARTHUR S. DUDLEY
W. W. BALWIN
THOMAS A. POLLEYS

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MADISON, Wisconsin, January 26, 1904.

HEARING OF THE REPRESENTATIVES OF THE VARIOUS RAIL-
ROAD COMPANIES BEFORE THE STATE BOARD OF ASSESS-
MENT, IN THE MATTER OF THE TRUE VALUE OF THE GEN-
ERAL PROPERTY OF THE STATE.

Present:

N. S. Gilson, George Curtis, Jr., and Nils P. Haugen,
members of the Board; Prof. Wm. D. Taylor, Engineer of
the Board; John Marsden, Jr., Engineer and Inspector of
the Board.

Frank P. Crandon, Tax Commissioner Chicago & North-
western Ry.

A. S. Dudley, Tax Commissioner Chicago, Milwaukee &
St. Paul Ry.

Thomas H. Gill, Tax Commissioner Wisconsin Central
Railway.

E. P. Hickey, Tax Commissioner Northern Pacific Ry.

Charles Hayden, Tax Commissioner Eastern Ry. of Min-
nesota.

George G. Tunell, Secretary to the President Chicago &
Northwestern Ry.

George R. Peck, General Counsel Chicago, Milwaukee &
St. Paul Ry.

T. A. Polleys, Tax Commissioner Chicago, St. Paul, Min-
neapolis & Omaha Ry.

Chairman Gilson: Gentlemen, we have met to-day for
the purpose of giving the representatives of the railroad
companies in this state who are to be assessed under the

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ad valorem law the opportunity to be heard and to present their views in regard to the value of the general property of the state, which is to be one element in arriving at the average rate of taxation. Are you ready to proceed, gentlemen, with your discussion of these questions?

Mr. Frank P. Crandon: Since the meeting that was held here with the Commission in September, the committee that was then appointed by the various railroad companies to take up this question and examine it has been very diligently at work. We have made very extensive investigations, and have ready for your consideration a very large amount of statistical information which we think will be of great interest. Our work has been carried on jointly; the three members of the committee being Mr. Baldwin, Mr. Dudley and myself. We greatly appreciate the courtesy of the Commission in coming together to-day to hear the result of our labors. Since I started from home I have learned that Mr. Baldwin, who has to do very largely with an important part of our investigation, starting from Burlington, has been delayed four hours; and since I got here I have had a telephonic conversation with him. He asks if it be possible, if we are not trenching too far upon the courtesy of the Tax Commission that an adjournment may be taken until he arrives. He suggested such adjournment till 8 o'clock to-night, as he expected to take a train that is due here then. In the little conversation I have had with some of the gentlemen present it was a question whether we ought not to adjourn, if the Commission is so disposed, until to-morrow morning, rather than to 8 o'clock to-night. If Mr. Baldwin comes, as he will if the train gets here, our committee is ready to proceed at any time. If the Commission can grant us the favor asked for, we shall be greatly obliged.

Mr. George R. Peck: Mr. Chairman.—The request of Mr. Baldwin, it seems to me, is a very reasonable one. Probably he feels worse about it than any of the rest of us, because in addition to missing the appointment he is probably plugging along on some slow train towards Madison. I doubt very much if you can count on the train which is due here at 8 o'clock being here at that time. Hardly any train is now moving on time. I was nearly two hours late this morning. But how would this plan do, if the Commission grant a postponement, to fix 8 o'clock to-night. Is the train due promptly at 8?

Mr. Thomas H. Gill: Eight, at the west depot.

Mr. Peck: Then it would be half past before you could get started anyway, that is, before we could get him up from the train. I would like very much myself to have something done to-night, so as to be more certain to finish to-morrow. I hoped that we could do some of the work to-night, if the Commission would consent to hold an evening session.

Chairman Gilson: Well, gentlemen, I think that it would be better to adjourn until to-morrow morning, rather than to attempt to hold a session this evening. The discussion of the questions that are involved in this inquiry are too important to be taken up in an evening session. Mr. Baldwin probably couldn't get here before 9 o'clock, and that hour would be very inconvenient, I think, for everybody. If it is agreeable to all the gentlemen who appear here acting with you, we will adjourn until 9 o'clock, or 10 o'clock to-morrow, as most convenient.

Mr. Peck: I would suggest 9 o'clock, Mr. Chairman, because time is important now.

Chairman Gilson: We will then adjourn the hearing until 9 o'clock to-morrow morning.

MADISON, January 27, 1904.

HEARING RESUMED.

Parties present as before noted, and in addition, Mr. L. W. Bowers, General Counsel of the C. & N. W. Ry. Co., and Mr. W. W. Baldwin, Tax Commissioner of the C., B. & Q. Ry. Co.

Chairman Gilson: Gentlemen, if you are ready to proceed this morning, we shall be pleased to hear what you have to offer.

STATEMENT OF FRANK P. CRANDON ON THE VALUE OF THE
GENERAL PROPERTY IN WISCONSIN SUBJECT TO TAXA-
TION.

Mr. Frank P. Crandon: Mr. Chairman, as we are all aware the law enacted by the last legislature of Wisconsin provides that the rate of taxation which shall be applied to the assessed value of the Wisconsin railroads, is to be determined by ascertaining the average rate of taxation which is borne by what the law designates "*The general property of the state.*"

When we take note of the stringent provisions of the statute for ascertaining to the last possible fraction of a dollar, the value of the railroad property, it is seen to be fundamentally important that the value of the said general property, which is the basis to be used for establishing the taxing rate, should be fully and equitably ascertained.

The representatives of the Wisconsin railways realizing the importance of this proposition, last September appointed a committee to take up that matter and to find out if they could, what is the value of the general property. That committee consisted of Mr. W. W. Baldwin of the C., B. & Q.

Ry. Co., Mr. A. S. Dudley of the C., M. & St. P. Ry. Co., and myself. Before entering upon our work we had a pleasant conference with yourselves as to the best methods of carrying on our inquiries, and we desire at this time to express our appreciation of the courtesy, kindness and helpfulness, of which we were then the recipients.

We have given much time and labor and thought to this subject. Our investigations have been carried on at a considerable expense, and we now return to you to make what may be regarded as, in some sort, a report of our acts and doings and conclusions.

The task to which we were assigned is both more difficult and more comprehensive than we at first realized. Though we have been diligent and have used to the best advantage the time at our command, the work is still incomplete and after we have told you about it, the question will arise whether we will discontinue our investigations or prosecute them further. This question of course the several companies which are interested in the results and the preferences of your Commission, will decide.

In order that we might not consume your time by unnecessary repetitions and also that our report might assume a more systematic form than could otherwise be given to it, we have divided the work of its presentation as follows:

First. To myself was assigned the discussion of the general propositions which we have considered and the methods which were adopted in the prosecution of our inquiries.

Second. Mr. Dudley will present the statistical facts which we have gathered and formulated, and with which he is exceedingly familiar.

Third. Mr. Baldwin will take up and discuss the questions connected with the value and assessment of Wisconsin personal property—which is a prolific and interesting field.

I make this statement now so that you may know what are the limitations which we have severally placed upon ourselves, and also that you may know what to expect as the discussion proceeds.

When we met in September our work had not been begun. The problem which we were to try to solve was a difficult one. Accessible data were scanty, incomplete and unreliable. The returns of the local assessors throughout the state, are made up on such different theories, that even in their best estate, they afford no accurate information, and are never more than a suggestion as to real value even in the case of real property, and are absolutely valueless as a basis for determining either the amount or the worth of the personal property of the state. We were soon convinced that if our work was to be helpful to the Board of Assessment, or if it should afford any substantial support for such conclusions as might eventually be reached by ourselves, it must partake largely of the character of an original investigation.

At that time we considered very fully, and were very greatly impressed by the method that is so elaborately set forth in the report of the Tax Commission for 1901, for ascertaining the value of Wisconsin realty. Without taking time now to re-state that method in detail, it may be sufficient for the information of those who are unfamiliar with it to say, that it is based upon the reported sales of real property that have been made throughout the state, comparing the consideration that is named in those conveyances with the actual assessment placed upon the property at the assessment period nearest to the date of making the sale, and after ascertaining the ratio which exists between the selling value and the assessment value of the property described, to apply the ratio thus obtained to the assessed value in an assessment district, and thus obtain what is assumed to be the

real value of the property in that particular district, and so on throughout the state.

At the September meeting, Mr. T. A. Polleys of the Chicago, St. Paul, Minneapolis and Omaha Railway Company, was present. He had on his own account, made some investigations as to the results which would follow this method when applied to localities with which he was familiar. His inquiries had not extended beyond those counties which are traversed at least in part by the C., St. P. M. & O. railroad and were limited to the transactions of a single year. The results which he obtained were so different from those obtained by the Tax Commission that he was of the opinion that some very serious errors had crept into the Commission's computations.

The Tax Commission was not less anxious than we were ourselves that the accuracy of these computations should be tested, and that if they were in any respect erroneous, the proper correction should be made. With the full concurrence of the Commission and of our Committee, Mr. Polleys agreed to undertake an examination to determine the accuracy of the computations referred to and to test their value. He did that. He spent a large amount of time and a great deal of work in revising those computations and the result was, that when his examinations covered the same periods which had been used by the Tax Commission, and the method was applied according to the Commission's plan, the results were substantially identical. Mr. Polleys' impressions as to the inaccuracy of these computations had arisen from the fact that he had confined his original investigations to the operations of a single year, while the results set forth by the Commission had covered a period of five years. The results obtained when the data for a

single year were taken, were so at variance with what they were when taken for a period of five years, that he could only account for that difference on the theory that serious errors had crept into the computations. I think he was subsequently convinced that that was not true. The fact, however, existed at the end of his investigation as he had found it in the first instance, that when the investigation was confined to the period of a single year, a very different result would be produced from that which appeared as the conclusions of the Tax Commission in the report referred to.

But when it was applied to the period of five years the report was substantially correct. That is right, isn't it, Mr. Polleys?

Mr. Polleys: Yes; substantially the same, for the same period, by the same method.

Mr. Crandon: Our Committee was at first considerably impressed by the reasoning contained in the report of the Tax Commission, and thought that perhaps the method they had adopted would provide for a very considerable part of the work which we had been expected to do, and we were not at the time of the September conference prepared to suggest any different or better method for ascertaining the actual value of the real estate in Wisconsin, outside of that which is devoted to railroad purposes.

Since that time, however, we have given the whole subject the most careful consideration and have made a most comprehensive examination into all the details connected with the reported real estate sales in several counties of the state and we are convinced that the method suggested by the Tax Commission is *absolutely unreliable*. Theoretically it is plausible and fair. If the reported conveyances adequately set forth all of the features of the transactions to

which they refer—if it were possible to know that only the reports of *bona fide* transactions entered into the computation, and if we could be sure that the property which had been sold and the property which had been assessed, were in all cases identical, the theory in question might afford some substantial basis for an estimate of real values. But as a matter of fact in a majority of instances, these conditions do not exist. In more than half of the conveyances reported, one or more and in some cases all of these essential considerations are wanting. In many of the instances none of the data is accurately stated. As we proceeded with our work, the unreliability of the reported conveyances, as an indication of actual value became more and more manifest, until finally our committee was convinced of the entire untrustworthiness of any conclusions which are based on the theory that I have just been considering.

The statistics supporting this conclusion will be presented by Mr. Dudley, and it may be sufficient to say now that the use of the reported conveyances was necessarily discarded.

I suppose that the plan of extending this examination as to real estate values over a period of five years, largely resulted from the sincere purpose of the Tax Commission to be exactly fair and to do justice to all the interests which would be affected by whatever conclusions as to values, they should eventually reach.

I do not know what their views now may be, but in their last two reports they dealt largely with the theory of determining the value of railroads by what is known as the "Stock and Bond method," and in order that they might obtain reasonably correct and satisfactory quotations of the value of those securities, they extended their examinations as to the sales of railroad stocks and bonds through a period of

five and of seven years, and from the different values which had prevailed at different dates throughout such periods they found an average price at which they thought it was fair to estimate the value of said securities. Then with the purpose to be just as fair as possible, they seem to have said: "Now, let us extend our examination as to the value of real estate so as to cover the same period. This plan will put all properties on an equal basis and no one will be harmed or can complain."

Just here we think they were in error.

The Tax Commisison already knows that the railway companies that are represented by this Committee do not believe or admit that the selling price of the stocks and bonds of any such company, even remotely suggests the value of the property owned by the company which issues the securities. It seems, however, that if the stock and bond method is to be observed, it will be fair to find an average selling price for those securities throughout a period which is long enough to correct quotations which are due to temporary causes and abnormal fluctuations. If the prices of stocks and bonds only advanced and receded when corresponding changes occurred in the value of the property which it is claimed they represent (and this would be the case if the stock and bond theory had any value) then there would not only be no necessity for obtaining such an average value, but it would be an error to use it when it was obtained, because it would be possible to determine the actual value of the property from the market quotations of its securities at the date fixed for the assessment, and that is exactly what we want to know. Or, to state my proposition in just a little different form, let me say—the averaging process above referred to could not have been adopted for the purpose of finding the aver-

age value of the railroad property through a period of three, five or seven years, in order that the present assessment may be fixed at that sum. Such an assessment would be an illegality, and could on proper proof that the assessor or assessors had based their conclusions on that theory, be set aside. The only tenable purposes for which said averages may be used, is that they will aid the assessors in determining what is the present fair value of the property, and so far as they serve to throw light on that proposition, their use is appropriate and valuable.

But the situation with regard to real estate is altogether different. Let us see.

The fact that real estate has been steadily advancing in value during the last eight or ten years is universally recognized and is undisputed. It was never before so valuable as it is to-day. Any averaging which could be attempted must be made with prices and values which are all lower than those which now prevail, and must of necessity fix the value of Wisconsin real estate at a sum which is less than its present actual worth. By thus diminishing the value of the property on which the tax rate is computed, the *rate* of taxation will be increased and as this higher rate is to be applied to the assessed value of the railroad property, injustice and inequity must result.

Further, if it is practicable to ascertain the present value of real estate for the purpose of comparing and averaging it with the values of previous years, then it is equally practicable to determine its present value for the purpose of fixing the value of the general property of the state, and there is no apparent justification, or excuse or reason for combining such value with the values of real estate which may have obtained in other years.

The purpose of the law and of the Board of Assessment is to ascertain the value of real estate as of the year 1903, the date as of which the assessment is to be made, and our efforts should all be directed to ascertaining values as they existed at that date.

It does not help us to know what the real estate of Wisconsin was worth on May 1, 1903, to be told what its average assessment has been, or what its average value has been through five preceding years. If there is any relation between assessment values and the values that are expressed in deeds of conveyance in the cases of sale, which will serve our present purpose at all, then it must have reference solely to 1903. Let me illustrate with a single example.

We will suppose that five years before the period when our investigation begins, a particular farm was recognized as being worth \$2,500. The assessor will do pretty well according to the practice which our investigations show to be prevalent, if he assesses it at \$1,500. Gradually, through the progress of five years that farm has advanced to a value of \$5,000. It will probably—not necessarily, but probably—have been assessed all the time at \$1,500. The changes in the appearance and conditions of the farm, will perhaps have been slight and such as did not attract the assessor's attention as the years passed along. The practice of the assessors is to repeat their previous figures or the figures of their predecessors, and it is more than probable that at the end of the five years' period, we will find the farm which has advanced in value to \$5,000 is still assessed at \$1,500. We started in five years ago with an assessment of \$1,500 on a farm which was worth \$2,500. The ratio of assessment to real value was therefore three-fifths. At the end of the period we still have an assessment of \$1,500, but

the real value is \$5,000 and the ratio of assessment is reduced to three-tenths instead of three-fifths.

This illustration is by no means either rare or fanciful. I risk nothing in saying that its counterpart can be found in nearly every town in the state, and what is here assumed as to a single piece of property, will be found to apply to large portions of many assessment districts.

Now, let us suppose that at some time during this five years' period a sale of some wood lot or pasture lot has been made, and that in changing the name of the owner, the assessor has also placed an assessment on that particular piece of land at or near the consideration which was expressed in the deed, and further, if there shall have been several such unimportant transactions, the reported sales in these special cases will show that the ratio of assessment is quite or nearly equal to the real value, and the conclusion will therefore be reached that in the assessment district where these properties are situated, that the rate of assessment nearly equals full value, although as we have seen, as to the vast majority of the property, the assessment does not exceed 30 per cent. of actual values.

The most serious objections to the use of the information which may be derived from the reported sales of real property to which I have already referred, as a basis for the ascertainment of a ratio between assessment values and actual values, are, however, altogether apart from the question of whether said reports cover a period of one or more years.

Every one will consent that in order to render the information derived from these reports of any value, they should contain at least three factors on which we can absolutely rely.

First. The consideration which is expressed in the con-

veyance must be the actual consideration (expressed in money) for which the property was sold.

Second. That the time as of which said consideration is predicated, shall bear such relation to the time of the assignment as to negative the idea of any probable radical change in value between the dates.

Third. That both the assessed value and the sale value shall refer to the same property.

In a great majority of the reported sales some one or more of these fundamental conditions do not exist.

As to the first, it is often found that the stated consideration applies only to the money or notes which pass from the vendor to the vendee, but that as a matter of fact there is also included in said consideration, the assumption by the vendee of mortgage incumbrances or other liens, which are as much a part of the consideration as is the money which is used in the transaction, but which do not appear as a part of the price for which the property is sold. Easements, privileges or burdens of various kinds, the extent and nature of which can only be ascertained by reading the instruments themselves, are of frequent occurrence but of course the report to the Secretary of State furnishes no clue to any such facts, although they often seriously modify the terms which are stated in the document itself and renders the facts on which the investigator relies for his information, altogether misleading.

As to the second proposition it may be said that a great many of the reported conveyances are made in the fulfillment of contracts entered into between the parties many years ago. The stated consideration is the sum for which the property was sold when the contract was made. In many instances the whole character of the property has

changed between the date of the contract and the date of the deed and the value may have greatly increased in that interval. None of these facts, however, appear in the report. It is impossible for any investigator to ascertain them from the report furnished by the register of deeds. To him everything appears to be fair, regular and complete, and he has no choice but to use the recorded details as the basis of his estimates, with the necessary result that his conclusions are wrong, and such instances are sufficiently numerous to vitiate any calculations which are based upon these reports.

As to the third proposition it is frequently found that property which is described in the assessor's book and in the deed of conveyance in identical terms, is far from being the same property when it is sold and when it is assessed. For example: A piece of property located in Madison or Milwaukee and described as lot 4 in block 8 of said city, may have an actual value of \$50,000, of which one-half may represent the land and one-half the improvements which have been placed upon it. On the first day of May the assessor places his value upon it, which is, say \$40,000. The assessment is therefore four-fifths of the real value. Now, suppose that on the tenth day of June the improvement is destroyed and that on the first day of July the property is sold, the price obtained being the value of the land, or \$25,000.

On the 15th day of September the register of deeds in the performance of his duty, reports to the Secretary of State that lot 4 of block 8 was sold for \$25,000, and that it had been assessed for \$40,000, or for three-fifths more than its full value. The converse of this proposition would be true, if instead of an improvement being destroyed, a similar one

had been constructed in the meantime. In each case the assessor and the register of deeds has described the property as lot 4 in block 8 and both of these officers have properly performed their duty. But the inquirer who is looking for information as to the relation between assessed and actual values is led far astray by their reports.

Our Committee found that in the time at our disposal it would be impossible to extend our examinations over the entire state. It was necessary to limit the territory which we would try to cover. We were aware that Milwaukee County embraces about one-sixth or one-fifth of the property values of the entire state, and it seemed as if we could work there more effectively than we could in any other one county of the state and we began our investigations in that locality. We secured the services of Mr. T. H. Brown, who was for nine years Tax Commissioner of Milwaukee, and who is as expert and experienced in all matters relating to property values as any gentleman in the state. His long period of service in the office named had made him especially familiar with Milwaukee property.

The result of his investigations we place before you in the form of a voluminous report, which, of course, we do not expect to take time now to read, but it is as to the conclusions which are reached in that report, that I am now about to speak; a little later Mr. Brown will probably himself speak in explanation of his report. Inasmuch as the work of Mr. Brown was to a considerable extent devoted to testing the trustworthiness of the report of the conveyances made by the register of deeds, as a basis for ascertaining real estate values, it might be helpful to have the law which provides for the making of that report read, so that we may have in mind its exact terms. Mr. Dudley has, I believe,

copied the essential portion of that statute and I will ask him if he will kindly read it for us.

(Mr. Dudley hereupon read Chapter 373 of the Laws of 1903.)

Mr. Crandon: It is seen that the law itself excludes from the reported sales a very large number of conveyances, and this is right. Mr. Brown found that during the year covered by his examinations and speaking in round numbers, 8,000 deeds had been recorded in Milwaukee County. Pursuing the process of elimination which is provided by the statute, the register of deeds had included in his report to the Secretary of State 1,105 transactions. The conveyances thus reported were submitted to a most careful scrutiny.

Mr. Curtis: Reported in what year?

Mr. Crandon: The year preceding September 1, 1903. It was determined to ascertain the exact conditions under which each of these conveyances had been made. The deeds were first carefully read and all the information which they disclosed was fully noted. Mr. Brown's extensive personal acquaintance rendered it easy for him to confer with the parties to the various transactions and learn exactly what each one involved. This he did. He also examined the several properties which were described in the deeds to ascertain their physical condition and to inform himself whether any important changes resulting from the construction or removal of improvements, or from the special business changes in the adjacent locality, had taken place between the date of the assessment and the date of sale of the property involved and in this way he became familiar with all the facts relating to each reported sale. The result was, that of the 1,105 conveyances which had been included in

the report of the register of deeds, 593—more than one-half—were found to be so defective or misleading that they could not afford any reliable information as to the transactions to which they referred.

These defects were of the most varied character. Often the consideration was deliberately misstated. Many times the consideration named took no account of existing mortgage obligations which were assumed by the purchaser and which evidenced the value of the property quite as much as did the cash payments noted in the transaction. So extensive is this feature of real estate transactions, that in counties, other than Milwaukee, it was found to be a usual practice. A certain number of deeds which had been reported by the register were examined and it was found that the aggregate consideration contained in the group, amounted to \$70,000, while the actual consideration was practically twice that sum. I have forgotten the exact amount, but Mr. Dudley will report it exactly, which I am not now able to do. It also often appeared that varying amounts of personal property were included in the real estate deals, but the value of such personalty was entirely omitted from the deeds which were given for the property. While these facts do not imply the slightest dishonesty or impropriety on the part of the principals in the several transactions referred to, as neither law nor equity demands that all the details of a trade shall appear in real estate conveyances, they do, nevertheless, illustrate how absolutely untrustworthy these documents become as a source from which the information which we are seeking, is to be secured. If, for example, the examiner is led to assume that the value of certain properties which have been sold is \$70,000, as just noted, when the real value as it was fixed by the parties to the transaction was \$140,000, it goes without the saying, that conclu-

sions based on the faulty information, must themselves be unreliable.

But these misleading statements could not have been known to the Tax Commission when it was making its investigation, nor to Mr. Polley's when he was revising the Commission's computations, or to anyone else who did not inform himself of the facts by a process equivalent to that which Mr. Brown pursued.

After securing the necessary information as to the values of the properties which had been sold, Mr. Brown examined the books of the assessors and ascertained the amount of the various assessments which had been placed upon them. All of this work consumed much time, but it was so thorough and complete as to include all the information as to values, which could be obtained from the actual real estate sales. The result of it all was, that we have correct information as to the price for which the several pieces of real estate included in the report before you, have been sold, and the actual assessment of the same, and hence are able to determine the ratio between assessed and actual values with an authority which cannot be intelligently questioned.

Mr. Brown will tell you that his examinations have established the fact that all of the defects and inaccuracies which I have brought to your attention, not only exist, but that they exist to an extent which absolutely discredits any conclusions which are based upon an acceptance of the data furnished by the register of deeds, without first subjecting that data to a sifting process similar to that which was used by himself, and I will leave to him any further elaboration of this proposition which may be desired.

The same sort of examination in every detail was made

as to the property of the County of Milwaukee outside of the city.

And now what is the result of all of this work?

It is before you in the report which is submitted by Mr. Brown. I have acquainted you with the careful, painstaking and exhaustive process by which this information was obtained. In tables with appropriate headings and explanations will be found the description of the property, its real value as determined by Mr. Brown's work, and the valuation as it was fixed by the assessor. I do not believe that any information which approaches this report in point of reliability can be found anywhere else. And from the report it is found that the property of Milwaukee City is assessed as about 52 per cent. of its actual value; 52.07 per cent. is, I think, the exact fraction, and the property of Milwaukee County outside of the city is assessed at 42.84 per cent. But, accurate and reliable as we believed Mr. Brown's work to be, we were not quite satisfied to rest our whole case on the information which was thus obtained.

There is a corporation in Milwaukee organized for the especial purpose of appraising all sorts of properties. It appraises properties in cases where other corporations are being consolidated under the terms of the law, and the officers of the different companies need to know the value of the property held by each individually. It appraises estates where there is to be a subdivision of the property under the order of the courts; in a word, it appraises property of all sorts and conditions.

The business of this corporation is so extensive and its services are so often employed by litigants and courts, that its work seems to be invested with a sort of semi-official character that commands the respect and confidence of the busi-

ness community and to be frequently recognized by the courts. Our Committee decided to avail itself of the services of this corporation and we asked Mr. Brown to select twenty pieces of real estate in each ward to be valued by the Appraisal Company. The parcels of ground selected for this purpose were to be representative properties, embracing residence, business, dock and manufacturing sites and were to be taken from all parts of the city, and were not to include any of the properties which had been considered in his own report.

Mr. Brown made these selections and the list was sent to the Appraisal Company.

Mr. Baldwin: The selections were made up of a certain number of parcels in each ward?

Mr. Crandon: Yes; it was intended to select about twenty pieces in each ward. There was no knowledge on the part of the Appraisal Company as to why we wanted that particular property examined and valued. We paid for this service \$2,000, or something of that kind.

Mr. Dudley: \$2,500.

Mr. Crandon: \$2,500 to go over the city and make appraisals, just as they would if they were making them for the subdivision of an estate, or for the purpose of consolidation of companies, or for any other purpose, where the sole object was to secure a statement of the actual value of the land. The land alone was to be included in said valuations; all buildings and other improvements were to be disregarded. After the company had made its appraisal and report, which we have here and which we herewith submit, the value of each piece was compared with the value as stated in the assessment roll—or the assessment of that particular piece was set opposite to the appraisal. The result of that

examination was that we found that the ratio of assessed value to the value of the property as fixed by the Appraisal Company very closely approximated that which had been reached by another method by Mr. Brown. Will Mr. Dudley give me the exact figures?

Mr. Dudley: 52.57 per cent., and the result reached by Mr. Brown by the other method was 52.07 per cent.

Mr. Crandon: These results are so nearly identical, although arrived at by entirely different processes and by different men working each independently, that they seem to confirm each other.

Now, gentlemen, not to weary you further with detail, but for your information, let me say that a similar process was gone through with for the property outside of the city of Milwaukee.

Mr. Peck: In the County of Milwaukee?

Mr. Crandon: In the County of Milwaukee, but outside of the city.

Mr. Baldwin: Unless you are going back to it, I would like to have you or Mr. Dudley read the Appraisal Company's own statement with regard to their work.

Mr. Crandon: I will stop for him to do that now, if he will.

Mr. Dudley: Here is their report to which is attached a certificate.

Chairman Gilson: What is the name of the company?

Mr. Dudley: The American Appraisal Company.

Chairman Gilson: The assessment you refer to as having been employed is the assessment of 1902?

Mr. Crandon: 1903. All our work refers to 1903.

Mr. Dudley (reading): "The American Appraisal Company, a corporation duly organized, created and existing under and by virtue of the laws of the State of Wisconsin, hereby certifies, by its president and secretary, that it has inspected and appraised the premises described in the accompanying schedule hereto annexed; and hereby made a part hereof, being certain lots and tracts of land situated and being in the City of Milwaukee, County of Milwaukee, and State of Wisconsin; and that after such inspection it is of the opinion that said land and tracts of land contained in said several descriptions mentioned in said schedule are reasonably and justly worth the sums annexed to said several descriptions.

AMERICAN APPRAISAL COMPANY,

By E. H. BOTTUM,

President."

In addition to that is an affidavit, which sets forth the nature of the company somewhat; and here also is a prospectus of the company, which shows in detail the work they have done, and its character.

(Reading): "John L. Moon, being first duly sworn, deposes and says that he resides in the City of Milwaukee, Wisconsin, and that he is secretary of the American Appraisal Co., a corporation duly organized under the laws of the State of Wisconsin, and located in the City of Milwaukee, Wisconsin; that said corporation was organized in March, 1898, for the purpose of appraising property of large manufacturing industries, both real and personal; and also property of every name, nature and description for whatsoever purpose. That said company has had an extensive experience throughout the United States and the Dominion of Canada in making appraisals, and has appraised property of the value of many millions of dollars annually, during its existence; and that during the past year it has appraised for its customers property, both real and personal, of the value of \$200,000,000 and over. That said company has in its employ many experienced men, and is thoroughly equipped, competent and qualified to make such appraisal.

JOHN L. MOON."

Mr. Baldwin: We propose to place the Appraisal Company's report at the disposal of the Board of Assessment.

Mr. Dudley: This report contains a list of the properties, and here is the same list with the assessment of 1903 placed opposite the description.

Mr. Haugen: Have you the assessment of 1903 of Milwaukee, or of the real estate?

Chairman Gilson: It is only the assessment of the property therein specified.

Mr. Haugen: You have not the total assessment?

Mr. Dudley: I can give it to you presently. I will have to look it up. I will give you presently the totals of each.

Mr. Curtis: In connection with the statistics from the Appraisal Company are the names of the individuals whose judgment has entered into the valuation given?

Mr. Dudley: That is not given in the report. We went to the company and asked them to appraise the property in the same manner that they would appraise it for any other customer; and the work which they do in appraising real estate consists very largely of cases where different companies are to be consolidated and the real estate of each is put in at its true valuation. This company acts as a sort of board of arbitration, I suppose, in ascertaining the values. We asked them to deal with the property named in our list in that manner, and in their own way to ascertain the value of the property. The various individuals who were actually employed on the work I don't know. It doesn't state here.

Mr. Curtis: Of course, the figures represent the opinions of individuals, either averaged or obtained otherwise. That is why I inquired.

Mr. Dudley: Yes; that is, they are not based necessarily on the opinion of one individual.

Mr. Curtis: The corporation as such, could have no opinion.

Mr. Baldwin: Could we not furnish, if the Commission desire it, the names of the individuals who acted for the Appraisal Company?

Mr. Dudley: I don't know of any reason why we could not. These particular pieces were not properties that had been sold. Of course, the report is not based upon actual sales, but the appraisers undoubtedly took into consideration sales of property in the same neighborhood.

Mr. Peck: The men who made the appraisement are undoubtedly those experienced men spoken of in the certificate. It is said that the company employs a large number of experienced men in that business. It does not seem to me very material what their names are, because the Commission probably would not know them, but it would be well enough to furnish them. Ask them who they were.

Mr. Curtis: That is all Mr. Crandon?

Mr. Baldwin: We don't know who they were at all.

Mr. Crandon: There was another method of ascertaining the values of Milwaukee property, adopted by the Chicago, Milwaukee and St. Paul Railway Company for its own purposes. I will leave it for Mr. Dudley to tell you about the method adopted because it is more familiar to him than to me. The result of it was that a ratio of assessed to real values was arrived at, which was about 47 per cent. Am I correct?

Mr. Dudley: Yes; 47 and a fraction.

Mr. Crandon: As I have already said outside of Mil-

waukee City, but in Milwaukee County, this same process which has been already described was pursued, with the result of determining that the property outside of Milwaukee City is assessed at 42.84 per cent.

We claim now to have shown by the best evidence that is in existence that Milwaukee County is assessed at not to exceed 50 per cent. of its real value. Unless the integrity of our work is challenged, this conclusion must be accepted, and any attempt to explain it away, or to make it fit any theory which does not accept this result, will fail before the facts which we have presented for your consideration. The evidence that the assessment of Milwaukee County for 1903 does not exceed 50 per cent. of real value is convincing and complete.

The facilities for pursuing our investigations beyond Milwaukee County were not so good as those of which we could avail ourselves for that county. However, this field has not been neglected.

The Board will remember that there is a provision of the Wisconsin law which enables any special locality, a city, or a town, if it feels itself discriminated against in the matter of equalization, to apply to the Circuit Court of the county for a commission to equalize the assessed values between the different taxing districts. We found that there are a number of counties where recently that sort of proceeding had been had; and we brought to our aid the men who had been appointed upon those commissions, to tell us what they found,—what their examinations had disclosed to them,—in regard to the relation of real to assessed value.

Just let me read from one of them a statement of what they did. This refers to Outagamie County. First it tells how the appointment was made, and of the notice given of

the commission's appointment, and then goes on to say: "After our appointment and qualification as such commissioners and on and between the 8th day of June and the 7th day of September, we made a general and careful review of the property in each town, city and village in said county, in order to ascertain and determine as accurately as possible, the value of all of said real estate, for the year 1902, at the time the same was assessed; and that before the final determination by us upon the valuations which we were to examine and review, we appointed a convenient time and place in said county for the hearing of evidence and arguments upon the valuations under review to be offered by any taxpayer of any city, village or town in said county, such time and place being at the court house on the 25th day of August; that we duly gave notice of such time and place by mail, at least ten days before such time set for hearing to the clerk of each city, village or town in the county of Outagamie; that we appeared at the time and place mentioned in said notice, at which time Lyman E. Barnes, John Bottensok and Thos. Ryan appeared for the petitioner," and other men whose names are given here appeared for the towns and villages of the county. "And we proceeded to hear and did hear arguments from and on behalf of the taxpayers of said cities, towns and villages, called for and examined assessments, taxpayers and records in the county, and continued to hear said evidence and arguments in relation to the valuation of property in said county, so far as such valuation bears on the just aggregate valuation of any city, village or town therein, each day from the 25th day of August to the 1st day of September, inclusive. That we sat in such hearing of evidence and arguments for a period of at least six days. That thereafter, upon due examination and consideration of the evidence and arguments

produced at said hearing together with said assessments and records of the county bearing upon the valuations under review, and all other facts obtained by review and examination as required by law, the said commissioners made their findings, which were duly reported to the court.

“In our examinations we personally travelled over nearly every road in the county; we examined the property in detail; we familiarized ourselves with the values of real estate, both from the prices asked by the owners, the values fixed upon the same property by real estate dealers, and by consideration of the sales which have taken place, and the income which the property will produce. As the result of this examination, we find that the true value of the real estate of Outagamie County for the year 1903 is at least \$36,106,351. The assessed value being \$27,440,837, or 76 per cent. of actual value.

“In order that comparisons may be made between values fixed by local assessors and true values, we attach hereto a list of several assessments in each taxing district, and our opinion of the true value of the same tracts of land, said values being based upon our personal examinations.”

Now, of course, such commissions were not called for or appointed in all the counties, and we could only avail ourselves of the services of such as had been established.

Chairman Gilson: Right at this point, Mr. Crandon—the aggregate of the value in Outagamie County found by this commission is the same as the valuation made by the county board, is it not?

Mr. Crandon: No, sir. They find, as I understand it, the value of the property in the several taxing districts, such as towns, cities, etc., and then *equalize* the *assessed* valuation between the different districts. The \$36,000,000 named in the report which I read, is, in the judgment of the men who signed that report, the present value of the real estate in Outagamie County.

Mr. Haugen: Is that 1902 or 1903?

Mr. Crandon: The \$36,000,000 is the value for 1903.

Mr. Haugen: But they were acting upon the assessment of 1902; that is, the assessment they were endeavoring to correct.

Mr. Crandon: \$36,106,151 is their judgment of the present actual value. The assessment of this year is \$27,440,837.

Mr. Curtis: The local assessment?

Mr. Crandon: The local assessment. I won't try to go through with each one of these. We have reports from six counties in which there were such commissions, and from three or four counties, I don't remember just exactly which—where we got our reports as to assessed and real values from the supervisors of assessments. The results run from about, I think, 80 per cent. as the highest assessed valuation to perhaps $54\frac{1}{2}$ per cent. as the lowest assessed valuation.

Mr. Curtis: That is the ratio between the local assessment and the true value?

Mr. Crandon: Between the assessed value and the real value. From which we deduced—or, rather I deduced, as I believe my associates think that my estimate of the ratio of assessment is a little too high—that as an average the assessed value of the property outside of Milwaukee County does not exceed two-thirds of its real value— $66\frac{2}{3}$ per cent.

Mr. Curtis: You are still speaking of the local assessment?

Mr. Crandon: I am talking now entirely of the local assessment as compared with the real value. The local assess-

ment of the state for 1903 amounts to \$1,120,086,060. I claim that we have substantiated by the best possible evidence, and by evidence that cannot be refuted by anything in existence to-day, that Milwaukee County is not assessed at over 50 per cent. And by less adequate and less comprehensive and less specific information, but still by information that is better than anything else that has been procured by any person or that has been presented anywhere, or that exists anywhere, that the ratio of assessment to real value outside of Milwaukee County does not exceed two-thirds of the value of the property.

Since arriving here yesterday, we have received the results of the examinations in two other counties—Ozaukee and Racine. I have not had an opportunity to tabulate them. Mr. Dudley has done some work on that line, enough to show that they present substantially the same conditions and similar facts to those which are found to exist in other localities. These examinations were made by Mr. Brown. He has not completed his work, but it has been prosecuted on the same theory that was adopted for Milwaukee County. Mr. Brown, am I right in assuming that 50 per cent. will give about the average between the assessed and real value in those counties?

Mr. Thos. H. Brown: I believe that to be true, sir.

Mr. Crandon: That is what I understood yesterday. Here, then, are two other counties, important counties, in which, so far as the actual assessment is concerned, for 1903, it does not exceed 50 per cent. of the real value. Let me say here, in passing, because I do not want to come back to the subject again, the Committee will be very willing indeed, if the time permits it,—and I believe that there will

be some time yet before the Board has to determine this question of rates, will there not be?

Chairman Gilson: There will be some time. We cannot now specify how much it will be.

Mr. Crandon: Then there is some time yet for continuing these examinations before you need to determine finally what is the real value of the general property of the state, isn't there?

Mr. Gilson: There may be some, although if we should undertake to verify any data you should present, it would have to be done very soon, I think.

Mr. Crandon: The Committee will gladly extend these examinations further if the Board considers that the results are valuable, and if there is any reason to expect that the outcome of our work will be taken into account in the final computation. We have tried so to distribute our inquiries over the different parts of the state as to make our calculations a fair average of the whole; and I think that the work which has been done, while it has not been entirely satisfactory even to ourselves, and while perhaps no such work could ever be exactly accurate, has, nevertheless, been as effective in bringing out the facts that we need for the purposes of this conference, as it has been possible to make it.

The line of examination as to the values of personal property is very much less distinct and conclusive than that which relates to real estate. Mr. Baldwin has that matter in charge and will present it in detail so far as any conclusions have been reached by the Committee. The subdivisions of the assessor's personal property schedules, are not such as to make it possible to collect much information that can be used to test the accuracy of said assessments. Of

course, our Committee could not enumerate the live stock in the state, or ascertain the number or values of the pianos, watches, wagons, carriages or sleighs in the state, but there is an item entitled "Merchants' and Manufacturers' stock" which is specifically set forth in the assessment schedules, as to which some reasonably accurate information could be obtained with the opportunity of comparing the same with the assessors' figures.

The amount of this item in the 1903 assessment roll for the state is about \$61,000,000. It was found by applying to the mercantile agencies that there had been reported to them by the men, who state, each for himself, the value of what he had on hand of that sort of property, that it amounts to at least \$180,000,000, and probably there is enough of similar property which is unreported, to bring up the whole amount to not less than \$200,000,000.

Such examinations as we have been able to make convince us that not to exceed 25 per cent. of the actual value of the personal property is assessed. We believe it to be actually much less than that.

Some of the property that is assessed, is valued at more than 25 per cent. of its real worth; but there is a large amount of property which is unassessed entirely, even of those items which are assessed in classes, specifically and by number.

Perhaps it will be objected that in dealing with property that is not on the assessment roll, we are travelling outside of the provisions of the statute. I understood that. I do not know exactly what interpretation the Board is inclined to place on that section of the law which relates to this subject, but in any event this is true: In all good conscience the value of this property ought in some way to be

considered when the rate of taxation on railroad property is being determined by what the law designates, as the average rate of taxation paid by the general property of the state.

We will assume, as was said to me yesterday in the hotel—that the assessment of personal property in this state and in other states, is a mere farce; that it does not in any way amount to an assessment; that it is a mere guess; that it is the guess of an assessor based only on other guesses of people who know little about the facts; that the assessor not only does not get at a tithe of the property; that he does not half assess that which he really finds. Further, that there are large amounts of personal property which he is absolutely incompetent to assess. Consider for a moment, if you will, what is involved in the matter of assessing the merchandise in a large city like Milwaukee. Here is my good friend Peck, one of the ablest men I know. Suppose that he was called upon to assess a stock of fancy goods in one store, a stock of dry goods in another, a stock of jewelry in another, a stock of hardware in another, and various stocks of clothing, shoes, harnesses, books and pictures in succession. Now, suppose that he has to pass from one of those stores to another within the time allowed the local assessor to make the assessment, and what kind of an assessment would we get? What would it be worth as indicating the value of the property?

Doubtless it would be a great improvement on what is ordinarily secured because it would represent the judgment of a man of rare ability and great experience. But unless he had been specially and divinely endowed for that purpose, even he could not make a fair assessment of such varied and miscellaneous properties.

It is absolutely impossible for any one man to have the

knowledge which will enable him to do that work. Put every man in this room, including the members of the Board of Assessment, on a commission to tell what is the value of a well appointed jewelry store, and would an intending purchaser give a fig for their combined judgment as to its value? But we are often asking of a man who has not a tithe of Mr. Peck's ability and experience, not only to do all that I have suggested in my supposititious case, but also to fix the value of all other kinds of personal property in our largest cities. The results of such an assessment are too farcical to command any kind of consideration except for the reason that the law requires that we shall consider them.

But let it also be remembered that to a very large extent the men who own this personal property, also own the real estate. Of course this will not invariably be the case, but to a very large extent it will be true, and it will be particularly true in the rural districts. The men whose horses and hogs, carriages and watches, escape assessment, whose moneys and credits, whose grain and other farm products, whose stocks, money and securities, all fail of assessment—they are the very men who own the land with the value of which, railroad assessments are being compared. A method has been adopted by the legislature which drags to the front and into notice, so far as railroad property is concerned, every nail, every bolt and tie. The various railway companies have spent months of time and thousands of dollars in money in the preparation of a report for this Board, which shows in the minutest detail the physical condition of all their properties. Nothing has been left out. If the Board have accomplished what they set out to accomplish, and what they had a right to accomplish, there isn't a scrap of paper in the office of any railroad company, the value of which has not been brought under the

surveillance of their judgment and knowledge for the purpose of assessment. When the value of that property has been thus disclosed even to the uttermost farthing, the rate at which it is to be taxed is to be determined by ascertaining a rate paid by taxpayers who escape an assessment on a large proportion (perhaps one-half) of their holdings.

And by just so much as their property fails to be assessed and taxed, is the railway property unjustly burdened.

It was said by the Tax Commission in one of its reports, without absolutely endorsing the proposition or expressing an absolute opinion of its correctness, that they were at least favorably impressed by the claim of economists that in a state like Wisconsin, the personal property of the taxpayers is more than equal in value to the real property.

Mr. Baldwin: I don't think they went that far.

Mr. Crandon: I said I didn't think they affirmatively adopted that view, but that they inclined to it.

Mr. Peck: They said—without expressing themselves—they did state that it was the opinion of well informed economists that that was so.

Mr. Curtis: Didn't they refer to that opinion and say they regarded it as a proposition not proven?

Mr. Peck: No, sir; you remember you and I had a dispute about that and I introduced the record. You said you didn't say it, and then I read it to you. Don't you remember that, Mr. Curtis?

Mr. Curtis: No.

Mr. Peck: They didn't say in so many words that they approved it, but they certainly didn't disapprove it, and

they stated it as an opinion of the best informed, or well informed, economists.

Mr. Crandon: Well, we have now a reported assessment of this property of Wisconsin for the year 1903. That assessment made by the local assessors fixes the value of the real estate at \$1,120,086,060. The assessment of the personal property amounts to \$238,058,056. How does that square with any theory of the economists, or of the Board, or of anybody else? Don't the assessors know that it is a farce? Don't you know it, and don't I know it, and don't everybody know it? As already stated this personal property is owned by the men who also pay the real estate tax, and when you are finding the rate of taxation on the general property of the state in order to determine a rate which is to be applied to whatever assessment you place upon the railroad property, you should do whatever you legally and properly may do—I don't know how much that may be—but it ought to include everything that by a liberal construction of the statute you are authorized to do—to introduce into that problem the values of the personal property which is escaping taxation, and is thereby adding unfairly to the rate of taxation which is placed upon railway property.

I do not want to take your time much, if any farther. I appreciate the difficulties of the problem with which you have to deal, and I appreciate the courtesy that has been extended to our Committee by this Board. I have an abiding faith that the Board of Assessment earnestly desires to secure equitable results and I believe that the Board has found that our Committee is anxious to aid in working out the problem fairly. Before making way for Mr. Dudley, who has some important statistics and suggestions to present, I submit an estimate of the actual value of the general property of the state.

It has already been shown that the local assessment in Milwaukee County ought to be increased at least 100 per cent. in order to make it equal to the real value of the property.

Mr. Brown, who has just finished an investigation of the ratio between assessment and real values in Racine and Ozaukee Counties, reports that the same ratio between values exists in those localities, and the reason for estimating the assessment of the remainder of the state at not more than 66 2/3 per cent. of real value, has been stated. These are the bases of the following:

ESTIMATE.

LOCALITY.	LOCAL ASSESSMENT.	ADD TO MAKE FULL VALUE.	REAL VALUE.
Milwaukee Co . .	\$173,577,574	100%	\$347,155,148
Racine Co.	26,610,098	100%	53,220,196
Ozaukee Co.	13,316,328	100%	26,632,656
The State outside of the above three counties .	906,582,060	50%	1,359,873,090
Personal property	238,058,056	4 times	952,232,224
	<hr/> \$1,358,144,116		<hr/> \$2,739,113,314

Chairman Gilson: Before you conclude I wish you would refer specifically to those reports which you desire to submit so that we may have them entered on the record, if you will.

Mr. Crandon: Suppose that at the end of our argument we hand you a list of all the reports, documents and tables which we desire to submit, and which we will leave with you?

Chairman Gilson: I want to inquire further in regard to your statement of the report to you of the commercial agency,

or one commercial agency, of the amount of merchandise in the state.

Mr. Crandon: Mr. Baldwin will take that up in detail.

Mr. Baldwin: Yes, I will submit that.

Mr. Crandon: It is suggested to me that if you care to have Mr. Brown speak in support of his report, or any analysis of it, or if you would like to ask him some questions, this would be a good time to have him make any statements that the Board would like to hear.

Chairman Gilson: I don't know as we care for any statement, unless you desire to have Mr. Brown heard.

Mr. Baldwin: I think it would be desirable to have the Board hear Mr. Brown.

STATEMENT OF THOMAS H. BROWN ON THE VALUE OF THE
REAL ESTATE IN MILWAUKEE, OZAUKEE AND RACINE COUN-
TIES.

Mr. Thomas H. Brown: I do not think I can say anything that will add one word to my report.

Mr. Bowers: You can state the result of your methods, in short, which will help the consideration of your report later.

Mr. Brown: I can tell you just exactly what I did. The first thing I did was to go to the county clerk of Milwaukee County and make a copy of the report for the year ending September 1, 1903, of the sales reported by the register of deeds of that county to the secretary of state.

Mr. Baldwin: As this goes into the record, would it not be proper to have also in the record a brief statement of Mr. Brown's occupation, and how he came to take this up? I

should like to have him state that fact, so that it will be in the record. Will you state, Mr. Brown, what your occupation is, and what your means of familiarity with this question are, so as to have it in the record?

Mr. Brown: For the nine years preceding January 1, 1903, I was the tax commissioner of the City of Milwaukee; since that time I have employed my time as a counsellor in tax matters; and for that reason I suppose I was called upon by the railroad officials.

Mr. Baldwin: Will you please state how you came to take this subject up, and what the instructions or suggestions were, made to you, as to what was desired to be accomplished by your investigation?

Mr. Brown: I was simply asked by the railroad officials to make an investigation of that report; to investigate that report, and ascertain how much truth there was in it; to dissect it, to analyze it.

Mr. Baldwin: Made by the register of deeds to the secretary of state. As I said, I made a copy of that report, upon blanks which I had printed, which enabled me to insert the name of the grantor and the grantee; and then we had a wide margin for remarks. I went to the register of deeds' office and read over every deed; and made a memorandum on the margin wherever the deed itself showed that the consideration was not the full consideration; when it was made subject to some agreement, or some condition, or some lease, or some other consideration. I made a memorandum of all of those things; and then, as far as possible and in nearly every case, saw the grantor and the grantee, and asked them questions, ascertained the facts. Having obtained all this information I made a record of it on the margin of this report.

This report shows all that I know about the matter. From memory I cannot tell you as to any particular piece, without referring to the report; and I don't remember the total results either.

Mr. Baldwin: Mr. Brown, how many assessments are there in the City of Milwaukee?

Mr. Curtis: Of real estate, you mean?

Mr. Baldwin: Of real estate, yes.

Mr. Brown: Well, here is the total result. The number of sales for the year ending September 1, 1903, as reported by the register of deeds, 1,105. Total consideration in deeds as reported by the register of deeds, \$2,695,333.31.

Mr. Curtis: That relates to the city alone?

Mr. Brown: The whole county.

Mr. Curtis: Of Milwaukee?

Mr. Brown: Yes. Total assessed value of the real estate, sold, including buildings, as per last tax roll as reported by the register of deeds, \$1,773,918.

Total number of sales for the year ending September 1, 1903, 4,480. Total number of sales for the year ending September 1, 1903, which appear to have been made under ordinary conditions, in the usual course of business, for a consideration expressed wholly in money, 573. Total number of sales for the year ending September 1, 1903, which appear to have been made under ordinary conditions in the usual course of business for a consideration expressed wholly in money, and where the conditions at the time of sale were the same as at the time the assessment was made, 512. Number of real estate assessments 119,819. Total consideration of properties reported sold, where the conditions at the time

of sale were the same as at the time the assessment was made, and which sales appear to have been made under ordinary conditions, in the usual course of business, for a consideration expressed wholly in money, \$1,025,194. Total assessment for 1902 of properties reported sold where the conditions at the time of sale were the same as at the time the assessment was made, which sales appear to have been made under ordinary conditions, in the usual course of business, for a consideration expressed wholly in money, \$502,950. Total assessment for 1903 of properties reported sold, where the conditions at the time of sale were the same as at the time the assessment was made, which sales appear to have been made under ordinary conditions, in the usual course of business for a consideration expressed wholly in money \$517,085.

Total assessed valuation of real estate in 1902, \$167,-692,874. Total assessed valuation of personal property in 1902, \$36,481,710. Total assessed valuation of real and personal property in 1902, \$204,174,584. Total assessed valuation of real estate in 1903, \$173,577,274.

Total assessed valuation of personal property in 1903, \$39,593,495. Total assessed valuation of real and personal property in 1903, \$213,171,069. Average percentage of actual values at which assessment was made, as shown by the report of register of deeds, 59.86.

Chairman Gilson: Would that embrace the properties, the 500 sales, you examined, or a little over?

Mr. Brown: No; that is as shown by the register of deeds.

Mr. Haugen: That is before you made the eliminations?

Mr. Brown: Yes. What the actual value of the assessed

property would be, measured by the percentage shown by the report, \$356,221,778. The average percentage of actual values at which assessments are made, as shown by the revised report of the register of deeds, 49.37, but the actual value of the assessed property would be measured by the percentage established by the revised report of the register of deeds, \$431,722,638.

Chairman Gilson: Is that of the County of Milwaukee?

Mr. Brown: The entire county.

Chairman Gilson: Have you the separate valuation of the city?

Mr. Brown: Every ward; every assessment district; right here.

Mr. Baldwin: I would like, if Mr. Brown can, by referring to instances, to have him illustrate the method which he has adopted; give illustrations of the way he has in certain cases said such a report he would reject, and another one he would accept. Of course he couldn't go into that in detail, but just enough to illustrate, so that you may get an idea of the manner in which he performed the work.

Mr. Brown: Mr. President, I think my report on Ozaukee County will state it better than I can give it by picking out instances in this long report. The statement of the register of deeds of Ozaukee County for the year ending September 1, 1903, made in compliance with the statute, reports 141 sales. An examination of the statement, and of the records in the office of the register of deeds of Ozaukee County shows that 24 of those sales were made and the deeds of conveyance recorded prior to September 1, 1902. Your instructions were to include deeds which were recorded after, but made subsequent to April 30, 1902. These were all made and recorded prior to September 1, 1902.

Mr. Haugen: We have tried to eliminate those conveyances that did not comply with our instructions when the report reached us.

Mr. Brown: I am simply showing what I eliminated. That is one class. The examination shows that 24 of those sales were made, and the deeds of conveyance recorded prior to September 1, 1902. That of the remaining 117 sales, 21 were made subject to encumbrances which the grantees assumed. That the consideration of these 21 sales given in the register's statement is \$70,112.50. That the consideration, including encumbrances—the actual consideration is—\$102,467.50. That the assessed valuation of the 21 pieces is \$52,230. That 11 sales were made for considerations not expressed wholly in money. That is another class that was thrown out. That the description of land in one deed does not tally with the description in the register's statement. There are several of those in this report. That 20 pieces of land were sold each for less than the assessed valuation, the total consideration being \$20,124, and the total assessed valuation being \$24,180.

Mr. Curtis: Did you exclude those?

Mr. Brown: No, I didn't exclude those, but they ought to have been excluded, because on the face of the returns it appears that it is not true that 10 pieces of land were sold for exactly the assessed valuation. Those were not excluded either. That the assessed valuation of all the property reported sold by the register of deeds is 79% of the consideration by him reported; and that the assessed valuation of the 21 pieces sold subject to encumbrances which the grantee assumed, is 50% of the actual consideration.

The same condition exists in Racine County.

Mr. Polleys: Did you make any computation to ascertain, after your process of elimination, the aggregate realty value of Ozaukee County?

Mr. Brown: No, sir. Here is a summary of all of those things.

Mr. Baldwin: In Ozaukee County?

Mr. Brown: No; Milwaukee County. In the first column is the number of sales for the year ending September 1, 1903, as reported by the register of deeds. Then the total consideration in deeds as reported by the register of deeds; and then the total assessed valuation of property, including buildings, as per last tax roll, as reported by the register of deeds. Total number of sales ending September 1, 1903, as reported by the register of deeds. Total number for the year ending September 1, 1902, which appear to have been made for a consideration expressed wholly in money. That is, after the corrections have been made. Total number of sales where the consideration at the time of sale was the same as the time the assessments were made. That has been referred to by Mr. Crandon. There are a great many of them in Milwaukee County, in the City of Milwaukee, where, of course, the assessment reported was the assessment of 1902; made in May and June, 1902. The property was sold subsequent to September 1, 1902, after the assessment was made; and at the time the sale was made either a building had been removed by fire, or removed in some other way, or a new building had been erected, and the sale was made for the property with the new building, or with the old building removed.

Mr. Curtis: In a changed condition.

Mr. Brown: In a changed condition, so that the assessed valuation as to those sales should not be considered at all.

Mr. Haugen: That would not appear on the face of the deed?

Mr. Brown: No.

Mr. Haugen: You ascertained that by personal investigation?

Mr. Brown: Yes.

Mr. Haugen: You found some cases where buildings were destroyed after the 1st day of July, after the meeting of the Board of Review, and the land only was sold?

Mr. Brown: Yes.

Mr. Haugen: How many of those cases did you find?

Mr. Brown: I can't tell without counting.

Mr. Haugen: Then you found other instances of buildings constructed after the 1st of July, and the land sold is with the building?

Mr. Brown: Yes.

Mr. Haugen: And that would increase the value of the property for sale, above the assesment?

Mr. Brown: Yes.

Mr. Haugen: Now, how did the relative number of one class of cases compare with the relative number of the other class of cases? Wouldn't one offset the other?

Mr. Brown: I couldn't answer that.

Mr. Haugen: Would there be likely to be as many or more instances where property was increased by the construction of a dwelling, than where the building was destroyed?

Mr. Dudley: There would be the natural increase in the value of the land, anyway.

Mr. Haugen: Mr. Crandon spoke of cases where the buildings were destroyed after the 1st day of July, or after the time of sitting of the Board of Review; so that when the property was sold it was sold for a less consideration than the assessed valuation. Now, there must be a number of instances where buildings were constructed after that period, and the property would be sold for much more than the assessed valuation, because it would include the building. I wanted to find out whether one would not about offset the other. Of course we cannot tell anything from the records as to those cases.

Mr. Brown: The law provides those shall be excluded from the report.

Mr. Haugen: Yes, if the register knows the facts.

Mr. Brown: Yes; but he should be provided with the means for ascertaining the facts, before making his report, if the report is to be considered at all.

Mr. Haugen: The law has not provided the means.

Mr. Brown: But you are asking me to provide something—

Mr. Haugen: I thought possibly you had pursued your investigations to such an extent that you could tell how many of this class of cases appeared.

Mr. Brown: No, sir. Here is another class: Fulfillment of land contract made ten or twelve years ago. There the price of property was fixed at that time.

Chairman Gilson: How many instances did you find of that kind?

Mr. Brown: A good many of them. In fact, take the over eight thousand sales made in Milwaukee County in

the year ending September 1, 1903, the great majority of them were in fulfillment of land contracts and trades.

The condition in Milwaukee County for the last thirteen years has been rather peculiar—or for the last ten years, if you please. During 1890, '91, '92 and part of '93 there was a boom in real estate in Milwaukee County, and values were put up way beyond what experience has taught us could be maintained; and everybody that had a few dollars surplus during those three years invested it in real estate, or nearly every one of them. So that in Milwaukee city and county there were thousands of people who had bought lots here and there all over the city, and all over the county; bought tracts of land as an investment. They hadn't money enough to pay for the investment at the time. They bought on credit, paying a little down. During the last ten years these people have been getting tired. They have been unable to carry the load, and they have been trading it for this, that and the other thing, cats and dogs, to get rid of it, and get out from under the load; sometimes selling for prices that were half what they paid for it ten years ago. That has been the condition in the City of Milwaukee. I think they have just about unloaded all that sort of property. I think now it is in a healthy condition. But for the last ten years it has been a very difficult matter to tell what property was worth in Milwaukee. Of course there are some locations, like the corner of East Water and Wisconsin streets, and West Water and Grand avenue, and up on Prospect avenue, a residence district, and over on National avenue and First avenue—some few localities that you can pick out where property has appreciated very materially in value; but it is not true of the city as a whole.

Mr. Haugen: The last assessment made under your

supervision as tax commissioner of Milwaukee was made in 1902?

Mr. Brown: The assessment was made in 1902, and I was tax commissioner.

Mr. Haugen: That was the last made under your direction. What was the total valuation of the city at that time as found by you—of the real estate, say, first?

Mr. Brown: The total assessed valuation of real estate?

Mr. Haugen: Yes.

Mr. Brown: Do you mean the City of Milwaukee?

Mr. Haugen: The City of Milwaukee, under the last assessment made by you, in 1902.

Mr. Polleys: I have the 1902 assessment of Milwaukee realty.

Mr. Haugen: That is, of the city.

Mr. Polleys: I have it here, quoted from the regular abstract of assessment in the Secretary of State's office: "\$146,730,320."

Mr. Haugen: And the personal property?

Mr. Polleys: The personal property I have not.

Mr. Haugen: What have you for the county, Mr. Polleys; the local assessment?

Mr. Polleys: The local assessment I have of the county, outside of Milwaukee, was twenty million.

Mr. Baldwin: Mr. Brown, as an expert, based upon your experience in these examinations which you have made in Milwaukee County, and these other counties, what if any accuracy can be attributed to the percentages of assessment to true value, derived from the report to the Secretary of State by the Register of Deeds?

Mr. Brown: My own idea, from my experience, is that they are of very little if any value. The Register of Deeds of Milwaukee County said to me last week that the report was a farce. Here is another class, special guardian deed.

Mr. Haugen: That ought to be excluded. How many were included of those?

Mr. Brown: I can't tell you; but the report shows exactly just why each one should be excluded. The law provides it, and I have followed the law exclusively.

Chairman Gilson: In the report do you give the name of the grantee and the grantor in the conveyances?

Mr. Brown: No; I recopied this on another blank.

Chairman Gilson: I wanted to know whether this report would contain the names of the grantor and grantee, for investigation if it was desired to make it.

Mr. Brown: No; but I can give that to you. I have that at my office at home. Well, I have got each ward by itself. Each assessment district by itself.

Mr. Haugen: You have not summed up the City of Milwaukee, from the rest of the county?

Mr. Brown: Yes.

Mr. Crandon: Mr. Dudley has analyzed that whole matter in his brief, about these facts that are being inquired of, as to the values of different locations; different specific tracts or districts, which will be all brought out in perfect detail by Mr. Dudley when he makes his presentation.

Mr. Brown: Then I perhaps better take my seat until you want to ask me some questions later on.

Mr. Curtis: Just one question, Mr. Brown, while you are on your feet: These investigations of the Register's records were conducted by you personally?

Mr. Brown: Yes. Of course I had help. I never could have done it alone.

Mr. Curtis: But you were giving active attention to just what was going on?

Mr. Brown: All the time, yes, sir.

Mr. Curtis: The investigation of conditions outside of the record, such inquiries as you had to pursue with the parties to the conveyances, those were conducted by you in part personally, and in part by assistants, I suppose?

Mr. Brown: Yes.

Mr. Curtis: Roughly, what proportion were you able to conduct personally?

Mr. Brown: Well, so far as the compilation of the report is concerned, I did that all myself.

Mr. Curtis: Your outside investigations, how much of that were you able to conduct personally—speaking roughly?

Mr. Brown: Oh, perhaps 25% of it.

Mr. Curtis: The examination of properties to determine whether there was any change in conditions since the assessment, were those examinations conducted by you personally in whole or in part?

Mr. Brown: Yes, through the assessors. I went right to the records, and got that from the assessment roll. The assessment roll of 1902, would show a vacant property, if you please, and the assessment of 1903, would show a building on that property.

Mr. Curtis: You ascertained then by a comparison of the data appearing upon the roll?

Mr. Brown: Yes; and by asking the assessor about the facts in the matter.

Mr. Haugen: Then you would have to inquire further, as to whether the building was constructed before or after the time of the sale?

Mr. Brown: Yes. That appears upon the books of the assessor.

Mr. Haugen: No, that wouldn't appear upon the books of the assessor.

Mr. Brown: Well, the books of the assessor of the City of Milwaukee, I am talking about.

Mr. Haugen: The books of the assessor would show there was no building on the premises in 1902, but there was in 1903. But, a sale was made, say in December, 1902; whether or not the building was constructed before or after the time the sale was made in December would not appear, would it?

Mr. Brown: The assessors of the City of Milwaukee, each one has a plat book. On a page is every block, and that is of sufficient size so that the size of each parcel, each lot or part of a lot, is noted on that book. On the lot side of it he puts down the building. Outside he puts down the value of the lot, and the date when he makes it; and he notes when there has been a change by removing a building; when there has been a new building constructed he notes that, and puts down the date, so that there is no guess work about it.

Mr. Haugen: The date of the completion of the building?

Mr. Brown: Yes. And when he makes his assessment you will see frequently upon the assessment roll the words "incomplete" or "unfinished." He assesses a building half finished, if you please.

Mr. Haugen: But, if the building was completed in December, remote from the time of assessment, does he indicate that on his plat, that it is completed in December?

Mr. Brown: No.

Mr. Haugen: He only indicates whether completed or not at the time of the assessment?

Mr. Brown: Yes.

Mr. Haugen: Then there would not be anything to show on the record, if the sale was made in December, whether or not at that time a building which was not on the premises at the previous assessment had been completed; they wouldn't be able to show that?

Mr. Brown: I don't know as I understand.

Mr. Haugen: A sale is made of a piece of land in December, 1902, and at the time of the assessment in 1902, that was vacant. At the time of the assessment in 1903, there was a building upon it; whether or not that building was completed before or after the time the sale was made in December would not appear.

Mr. Brown: No, that would not appear upon the books. But the fact that a lot was assessed in 1902, at a thousand dollars, and the next year at three thousand dollars, would indicate to me that some change had taken place in that property, and I would investigate it, and find out.

Chairman Gilson: Mr. Dudley, you have submitted here Mr. Brown's valuation of the specific pieces of property and conveyances which he considers proper to be considered in ascertaining the value in Milwaukee city and county. He took the register's return to the Secretary of State for the year 1903, for the basis of his work.

Mr. Dudley: Yes.

Mr. Gilson: And he then proceeded to make certain eliminations.

Mr. Dudley: Yes.

Chairman Gilson: Can you furnish us with a copy of the register's report, showing the eliminations which he made?

Mr. Dudley: The whole thing is there.

Mr. Curtis: Will the document there indicate which items were and which were not included in his final calculation?

Mr. Dudley: Yes.

Chairman Gilson: Does it indicate, so that in taking up the report we can ascertain what conveyances were excluded, and what included in this?

Mr. Dudley: Yes. This is shown by assessment districts.

STATEMENT OF A. S. DUDLEY ON THE VALUE OF THE REAL
AND PERSONAL PROPERTY IN WISCONSIN SUB-
JECT TO TAXATION.

Mr. A. S. Dudley: Mr. Chairman, and gentlemen.—I really don't know that I have anything to submit additional to what has already been presented to you. I think that what I have here committed to writing will, however, serve as a partial recapitulation, perhaps, of what has been presented to you by Mr. Crandon and Mr. Brown.

The law, the practical administration of which is now under consideration, was passed by the last legislature for the avowed purpose of taxing railroad property uniformly and equitably as compared with the taxation of other classes of property. The method prescribed by the statute for se-

curing this uniformity consists in ascertaining the true value of the railroad property, and the application to that valuation of the average rate of taxation which is sustained by the general property of the state. The average rate is to be determined by dividing the total taxes paid by the general property by the true value of such property. The true value of the general property is the subject with which we now have to deal.

Values fluctuate from year to year and in a growing commonwealth there is a steady enhancement in the value of lands and a constant increase in the value and quantity of improvements and personal property. The question is therefore material, "as of what date is the general property of the state to be valued?" It is evident, I think, that the railroad property must be valued as of the same date as the general property. If two men have property of equal present value it would be manifestly unjust to tax the property of one upon its value now and the property of the other on the greater or less valuation which it had at some former period.

The assessment of 1903 of general property was made last May and June. Railroad property was exempt from assessment at that time because it paid in lieu of taxes of 1903 a license fee. The statute calls the assessment of railroads about to be made the "Assessment of 1904"; but it is evident that this assessment can not be compared with the general property assessment of 1904, which has not been made, nor can this railroad assessment of 1904, which under the theory of the law is made in 1903, be regarded as covering the property owned by the railroad company on May 1, 1904. It seems, therefore, that what the law terms the railroad assessment of 1904 means merely the entire

process of levying upon railroads the taxes which are to be paid in the year 1904; and the date as of which railroads are to be valued in order to secure any semblance of uniformity must be the date of the general property assessment of 1903.

That a comparison or equalization of the value of railroad and general property is to be made with reference to their respective values at the date of the general assessment of 1903, is further evidenced by considering the method prescribed by the statute for computing the average rate. Section 9 provides that, "The board not later than the first day of November in each year * * * shall, according to their best knowledge and judgment, ascertain and determine the true cash value of all the general property of the state assessed and to be taxed in the *then present year*." Section 11 provides for the ascertainment of the aggregate of state and local taxes of the same year, and section 14 provides that, "From the aggregate true cash value of the general property of the state and the aggregate of taxes so determined and entered on the records the board shall compute and determine the average rate of taxation." The problem, therefore, is to determine the true cash value in May, 1903, of the general property of the state which sustained the general taxes of 1903.

That the local assessment of 1903 does not represent true value is admitted, but the magnitude of the task and the practical impossibility of making a re-appraisal as of May, 1903, and the absence of other *data*, compel us to give greater consideration to the reports of local assessors than they would otherwise deserve.

We believe that the value of property in 1903 cannot be determined by a consideration of the average values of

the same or other property during the previous five or seven years. We contend that the application of an average ratio existing between assessed and true value during a period of five years (assuming that such ratio has been accurately obtained) to the average assessed value of the same years cannot result in giving the true value of property at any particular time. The present actual value would necessarily exceed such an hypothetical true value based on an average of the values of past years for the reason that as a whole lands and town and city lots have year by year appreciated in value. Any so-called "Average value" must, therefore, be less than the present value. The theory of taking an average value of several years would possibly have more to commend it if such average value were to be divided into the average taxes paid during the same years to fix the average rate. But to divide the general property taxes of 1903 by any such average true value would neither be just to the railroads nor comply with the law which requires that the taxes be divided by the true cash value of the general property of the state upon which said taxes were levied. We believe that in the determination of the true value of general property for any particular year that no other assessment roll or ratio of assessment should be considered than the assessment roll of that particular year and the ratio between assessed and true value which was employed by the assessor at that time. We have only to do with the general property of 1903, and the general property of no other year is identical with it.

The ratio between assessed and true value used in making the rolls of 1903 cannot be ascertained by reference to the reports of registers of deeds transmitted to the Secretary of State under Sec. 1007, as amended by the laws of

1903, for the reason that the sale price is compared with the assessment of 1902, giving the ratio used in 1902, and in considering the assessment roll of 1903 it is immaterial what ratio was used in 1902. But even assuming the general property of 1902 and 1903 to be identical in quantity and actual value, so that if the actual value of the general property of 1902 were ascertained the same figure might be used for the actual value of the general property of 1903, we are still of opinion that the ratio shown by the figures reported by the registers of deeds is of little value. And this opinion is based upon a careful investigation of the report of the register of deeds of Milwaukee County and upon such other investigation as we have been able to make in two adjoining counties.

The register of deeds of Milwaukee County for the year ending September 1, 1903, reported 1105 deeds under the law referred to. The total consideration in these deeds was \$2,695,331, and the assessed value of 1902 as reported by the register was \$1,773,918, giving a ratio of 65.81%.

Mr. Brown's figures and mine do not exactly agree. In the figures which he has given the value of each ward was computed separately, and the total valuation of the wards added together, to get the true value of all the property in the city. But we thought it reasonable to consider the city as a whole. I have taken the sum of the considerations in the 336 deeds, or whatever the number was, and their assessment to secure a ratio of assessed to true value for the entire city. In other words, Mr. Brown's figures are based on a consideration of the ward as the unit, while I have treated the city as the unit.

Chairman Gilson: Have you computed the valuation on the assessment of 1902?

Mr. Dudley: 1903. We have tried to find as nearly as possible the true value of the property as near the date of assessment of 1903 as possible. The Appraisal Company was instructed to get the value as of May 1, 1903. Then if we get the assessed value at the same date we have a ratio we thought would be of value.

Chairman Gilson: The sales, many of them, perhaps half of them, would be as near May 1, 1902 as 1903, would they not—the date of the sales?

Mr. George R. Peck: Reported the 1st of September.

Mr. Haugen: But the sales reported commence on the first of May, 1902.

Mr. Dudley: Not under the law.

Mr. Haugen: Under our instructions. That is, we ask them to report all sales made after the 1st day of May of the preceeding year, but not recorded until after the 1st of September. Those that were recorded before the 1st day of September of the preceeding year are excluded. But those recorded after the 1st of September are included in order to get as many as possible.

Mr. Dudley: The law excludes those either made or recorded. Your instructions are to include those made prior to September 1st but recorded after September 1st.

Mr. Haugen: Yes; in order to get as many data as possible.

Mr. Dudley: The trouble is it seems to produce confusion. Some registers have followed the statute. And your instructions, I think, are clearly repugnant to the statute.

Each of these 1105 deeds have, however, been read in full, the parties to the transaction, witnesses or agents, have been interviewed, and the conclusion reached is that

593 of the 1105 deeds can not properly be used in any theory of determining a ratio of assessment. We do not say that including these 593 deeds in his report was in each instance an error on the part of the register of deeds, for the fact that they should be excluded was, in many instances, not apparent on the face of the deeds, but could only be ascertained by further inquiry into the circumstances attending the transactions.

The total consideration in the 512 deeds in which the consideration was found to be an expression of actual value amounted to \$1,025,194, and these 512 descriptions were assessed for the year 1903 at \$517,085, so that a ratio is obtained for 1903 for Milwaukee County, based upon a revision of the sales reported by the register of deeds and the assessment rolls of 1903, of 50.44%. Considering only the sales in the City of Milwaukee the number reported by the register of deeds was 789 of which it was found, after this process of investigation and elimination, that only 336 remained for use in arriving at a ratio. The ratio of the register of deeds based upon the consideration given in the 789 deeds and *the assessment of 1902* was 67.89% for the City of Milwaukee. The ratio based upon the total consideration of the 336 deeds and *the assessment of 1903* was 52.07%. The total number of sales in Milwaukee County outside of the City of Milwaukee reported by the register of deeds was 316, and the ratio between the assessed value of 1902 and the consideration reported was 52.12%. After investigation it was found that only 176 of the 316 deeds could be regarded as competent evidence in the determination of the ratio, and the ratio existing between the consideration in these 176 deeds and their assessed value of 1903 was 42.84%.

Now if we apply these 1903 ratios to the assessed values of 1903, we obtain the following figures for the value of Milwaukee County: Real estate of Milwaukee City was assessed at \$142,520,116. Applying the ratio of 52.07% gives a value for the city real estate of \$273,708,692, and applying to the assessed value of real estate outside of the city, to-wit, \$31,057.158, the ratio of 42.84% gives a value of \$72,495,700 for real estate in Milwaukee County outside of the city, or a total valuation for the real estate of Milwaukee County of \$346,204,392. The assessed value of all real estate in Milwaukee County for 1903 was \$173,577,574, which is 50% of the true value of all of the real estate in the county as thus figured.

To test the accuracy of these results the committee instituted certain independent lines of inquiry. The American Appraisal Company, a corporation of this state, of which Mr. E. H. Bottum of Milwaukee is president, and which has annually appraised property of the value of many millions of dollars, was employed to appraise 463 descriptions in the City of Milwaukee representing all classes of real estate and all parts of the city. The total valuation placed upon the 463 descriptions by the Appraisal Company was \$3,664,488.16, and the assessed value of the same descriptions for the year 1903 was \$1,926,420, from which it would appear that the ratio of assessed to true value used in the assessment rolls of 1903 was 52.57%.

Mr. Brown, until recently and for a period of nine years Tax Commissioner of the City of Milwaukee, a former mayor and life long resident of the city, and whose ability to make a just appraisal we believe to be unexcelled, was also asked to appraise these same descriptions. The result of his work showed a valuation of \$3,829,857 as against

the \$3,664,448.16 of the Appraisal Company, and the ratio between Mr. Brown's valuation and the 1903 assessment was 50.03% as compared with 52.57% based on the figures of the American Appraisal Company.

One other test of the ratio used in making the assessment roll of 1903 in the City of Milwaukee, although perhaps not as conclusive as the foregoing, may be mentioned. The Chicago, Milwaukee and St. Paul Railway Company had its land values in the City of Milwaukee appraised for its report of physical values which has been submitted to this board.

Here is a block owned by the Railroad Company, which has a certain number of square feet, but is not assessed; and here is a piece of similar property not owned by the Railroad Company which is locally assessed.

From a consideration of the assessed property and its area a hypothetical "assessed value" was obtained for the railroad land which is not subject to local assessment.

Chairman Gilson: Explain the method whereby you arrived at the area of adjoining lands.

Mr. Dudley: They were lots, and we could easily get at it.

Chairman Gilson: You would take the lots fronting on your land, or take entire blocks adjacent?

Mr. Dudley: I don't know but Mr. Brown can answer that better than I can; but I have the work right here, I think. Here it is. For instance here is a description of our property, and the area has been figured out, and below that is a list of the tracts with which that has been compared in this manner: We add the assessed values, which amount to \$16,500; and the number of square feet assessed

was 18,000. This gave an average assessed value per square foot of \$.9166. Multiplying that by the area of our property, which was similar and adjacent to the assessed property, gives what we assumed would be the valuation which would have been put upon our property had it been assessable. That is rather a back-handed way of working out the ratio; but we were curious to see what our assessment would have been had we been assessed as other property adjoining us. In that manner we found a ratio of 47.29% between the hypothetical assessment and our appraised value.

The value of this company's lands in the City of Milwaukee exclusive of improvements was found to be \$5,395,666. These lands were, of course, exempt from local taxation and are not valued on the assessment rolls, but it was found that had these lands been assessed for the year 1903, as an equal area of similar adjoining properties was assessed, our value would have been \$2,551,395, which is 47.29% of the true value fixed by the company and reported to this board.

The best evidence we have to submit indicates that the real estate of Milwaukee County as a whole was assessed for 1903, at about 50% of its actual value and that the county outside of the city was assessed at 42.84%.

Chairman Gilson: Our object was to furnish a larger field of data than would be given if conveyances made and recorded between September 1st of one and September 1st of another year were given.

Mr. Dudley: I cannot see any objection to having the larger data, the data of sixteen months instead of twelve, if it were uniform; but a scrutiny of the reports you ask shows that the registers did not regard the law, nor did they regard the commission's circular.

Mr. Haugen: The last section of the chapter provides that each Register of Deeds shall make and transmit such further information recorded in his county as the Commissioner of Taxation may request.

Mr. Dudley: I don't believe that would authorize you to use 16 months for a year.

Mr. Haugen: But it is in addition.

Mr. Dudley: You haven't asked for it in that way, have you? I don't think that is material; only I thought it would introduce an element of lack of uniformity. The Register of Deeds use the year from September 1st to September 1st.

Chairman Gilson: It wouldn't impair the value of the statistics, except to give a smaller data than otherwise would be obtained.

Mr. Dudley: As I say, I don't see any objection to using the 16 months period rather than the 12 months.

Mr. Bowers: The value to be attached to the statistics is undoubtedly in the discretion of the board.

Mr. Haugen: Some of the Registers, in making reports under the former statutes include all conveyances recorded during the year, and some of them were ten years of age.

Mr. Dudley: I think our investigation has shown, whatever your instructions and whatever the law, that the reports are valueless.

We have not been able to apply the same tests to the state outside of Milwaukee County but something has been done in two of the adjoining counties, namely, Ozaukee and Racine, where the unreliability of the reports of Registers of Deeds is still further demonstrated. Let me first read a portion of the law under which the Register of Deeds acts:—

“Each register of deeds shall annually make and trans-

mit to the Secretary of State on or before the 15th day of September a statement in tabular form of all conveyance of real estate, including executory contracts for the sale of lands, made and recorded in his county during the year ending on the first day of said month which appear to have been made under ordinary conditions in the usual course of business for a consideration expressed wholly in money."

My attention has been directed to a circular issued by the State Tax Commission dated June 19th, 1903, addressed to the Registers of Deeds and requesting them to include in their reports all proper conveyances dated after April 30, 1902, and before September 1, 1903. I submit that these instructions are repugnant to the statute. The statute contemplates that no conveyance shall be reported that was not made and recorded between September 1, 1902, and September 1, 1903, while the instructions are to include certain conveyances made not only during that period but also during the period from April 30, 1902, to September 1, 1902. It seems quite possible that as a result of these instructions conveyances during four months of 1902 were included in the 1903 report of the registers as well as in their 1902 report.

But a scrutiny of the returns from Ozaukee County shows that the register regarded neither the law nor the commission's instructions in his report; for of the 141 deeds which he reported 24 were both made and recorded prior to September 1, 1902. The law requires that only deeds be reported where the consideration is expressed wholly in money but of the remaining 117 deeds (after deducting the 24 which were made and recorded prior to September 1, 1902) 21 were subject to encumbrances which the grantees according to the terms of the deeds assumed. The consideration in these 21 deeds as given by the Register of Deeds is

\$71,112.50; but the actual consideration, that is the consideration paid for the equity plus the encumbrances assumed, was \$102,467.50. The assessed valuation of these 21 pieces for 1902, was \$52,230. We have not obtained their assessment for 1903. Eleven other sales in this county were reported where the consideration was not expressed wholly in money and where the real consideration could not be determined from an examination of the deed itself. These were cases where property was conveyed for a certain sum subject to dower rights, etc. In one of the deeds reported the sale price is compared with the assessed value of a different description.

Mr. Curtis: What do you argue from that last mentioned state of facts?

Mr. Dudley: I argue that no correct conclusion can be drawn from the register's report without submitting it to a test of accuracy.

Mr. Bowers: In the same county weren't there other, numerous, deeds where the expressed consideration was way beyond the assessed value? Is it to be supposed that the assessor of this particular county was assessing one or two tracts of land that way, and not generally?

Mr. Haugen: You have to go to the individual assessment district, if you were going to apply the same rule to different assessments; because one might assess full value, and the other might not.

Mr. Dudley: We have taken the county as a district.

Such an examination as this shows, we think, the absolute folly of relying upon the returns of Registers of Deeds without submitting their reports to a most thorough revision. But a consideration of the report in this county gives rise

to another thought. The Tax Commission has made strenuous efforts to have the local assessors place the full value of property upon their assessment rolls and for a determination of true value emphasis has been placed upon the record of sales. An assessor who places upon property a value less than that for which it was recently sold in the ordinary course of trade can hardly assert that his under-valuation was due to ignorance, and his attention has recently been repeatedly and emphatically called to the sales records as a means of ascertaining values.

But the very fact that the record of sales is being resorted to by this board and by the local assessors has made real estate men reluctant to put on record the true value of property transferred lest it might be used as a valuation for tax purposes. It is not surprising, therefore, to find in Ozaukee County that out of 117 deeds 20 show considerations below assessed value, the aggregate consideration of the 20 deeds being \$20,124, and the aggregate assessment being \$24,180. It seems incredible that any rational man can suppose that of 117 transfers reported to have been made in the ordinary course of business for a consideration expressed wholly in money that more than one out of every six were assessed for more than their true value. Can anyone doubt that the consideration in these deeds was fixed to deceive the assessor? Is it not reasonable to suppose that the consideration in these deeds was fixed not to show the true value of the property transferred but to prepare the premises for the erroneous conclusion that the property was assessed at its full value? But further than this, 10 other descriptions of the 117, or about one-eleventh, show that the properties were sold for exactly the figure at which they were assessed the previous year.

We believe that this scrutiny of the records of Ozaukee County shows that a large number of the deeds reported should have been omitted from the register's returns and that a large number of the remaining ones show considerations placed in the deeds for the very purpose of producing errors in the conclusions which were intended to be drawn from them. What the actual value was which each of the parties to these transactions placed upon his property we do not know for we have not been able as in Milwaukee County to interview the parties. But if we take the 21 deeds which were reported but which investigation showed were made subject to mortgage and add to the consideration the amount of encumbrances shown by the deeds themselves we find a total value of the 21 descriptions of \$102,467.50, and the assessment of those descriptions for 1902, was \$52,230, which gives a ratio of 50%.

Mr. Curtis: How far does that ratio vary from the ratio of those that you found suitable; that is, free from objection.

Mr. Dudley: I haven't got the total. In getting at the ratio of 50% we have not been able to find out how many are free from objection, because we have not been able to interview the parties. In about one-eleventh of the deeds the consideration was exactly the assessed value.

Mr. Curtis: You have made no generalization from any of the data?

Mr. Dudley: No, sir, except as stated. I thought in those deeds that were made subject to mortgage there was probably less "doctoring" than in the others.

Chairman Gilson: Can you assume the mortgages should be added to the consideration expressed in the deed? That is, where the mortgage is to be assumed—say property is

worth \$5,000, and there is a mortgage of \$2,500, does it follow that the consideration may not be stated "Five Thousand Dollars" as well as "Twenty-five Hundred Dollars."

Mr. Dudley: If it read, "This deed is given for a consideration of Five Thousand Dollars," and then in a subsequent clause, "This deed is subject to a mortgage of Twenty-five Hundred Dollars," and the register reported "\$5,000", his report would not indicate the value of the property. But if I add the twenty-five hundred, the sum might show the value.

Mr. Bowers: Makes the consideration \$7,500.

Mr. Curtis: Don't the scriveners who are usually or often employed in the preparation of deeds of conveyance recite in the deed of conveyance, in such cases as you now speak of, the whole consideration; notwithstanding the fact that it is also in the conveyance that it is made subject to certain incumbrances. In other words, a conveyance of a property really of the value of \$5,000, subject to an incumbrance of \$2,500, notwithstanding the fact it is subject to such incumbrance, and the grantee takes it subject to such incumbrance, and, if you please, agrees to pay it all, that the scrivener will write in, however, as the consideration for the conveyance in the agreement the actual value of the property, to-wit: \$5,000?

Mr. Dudley: That is, the equity is worth \$2,500; subject to a \$2,500 mortgage; but instead of putting in the value of the equity he puts in \$5,000?

Mr. Curtis: Yes.

Mr. Dudley: My experience has been limited; but so far as it goes, it is the other way.

Mr. Curtis: Perhaps that would be the most correct way,

but isn't it a fact that scriveners would do both ways in writing out deeds?

Mr. Dudley: They could do both ways.

Mr. Peck: I think the general rule is to make the consideration aside from the mortgage.

Mr. Curtis: Let the consideration represent the equity?

Mr. Peck: Yes.

Mr. Bowers: That is the import of the face of the paper.

Mr. Peck: I can conceive that the document might state "Five Thousand dollars," and provide for assuming a \$2,500 mortgage, and the payment of \$2,500 in cash.

Chairman Gilson: It might be good ground for excluding those conveyances from consideration. They might not furnish any basis for confirmative conclusions.

Mr. Peck: They are not to be reported, I should say, under the general law.

Mr. Curtis: I agree they are suspicious enough to be excluded from computation; but if included it doesn't necessarily follow we can safely assume the recital of the consideration represented the equity only.

Mr. Dudley: Perhaps Mr. Brown has some concrete cases there which would show exactly what the situation was.

Chairman Gilson: Concrete cases can not amount to much in the consideration of questions of this kind.

Mr. Thos. H. Brown: The language of the deed might make some difference. (Reading.) "Except a mortgage to John Burton of two thousand dollars, of which eight hundred has been paid." "Except a mortgage of \$1,100, with interest thereon, which the second party assumes to pay as a part of the purchase money."

Mr. Haugen: Is that a part of the purchase price set forth: Is that to be read as a part of the purchase price mentioned; or in addition to the purchase price?

Mr. Brown: I shouldn't read it that way.

Mr. Haugen: It says "part of the purchase money."

Mr. Curtis: I think there will be a pretty general agreement that cases of that kind ought to be excluded from consideration.

Mr. Bowers: This recital of consideration in the initial part of the deed is almost universally accompanied by acknowledgment of receipt. Now is the grantor bound to acknowledge the receipt of \$10,000, when he has only got \$7,500, and \$2,500 is equity, paid on the note? I shouldn't think that would be true, in the minds of careful lawyers.

Mr. Baldwin: In case of failure of title, the consideration might be important.

Mr. Dudley: In this county we get from the Register of Deeds Reports a ratio of 79%. We think 50% is nearer the truth.

In Racine County the Register of Deeds reported 432 sales having the aggregate consideration of \$905,855, and the aggregate assessed value of \$657,285, producing a ratio of 72.56%. Of these sales 28 had no place in the Register's report, as they were both made and recorded prior to September 1, 1902. There were 51 deeds reported with a consideration of \$144,340 and an assessed value of \$115,065, which indicated that the property described in these 51 deeds was assessed at 80% of true value, but investigation showed that each of the 51 deeds was made subject to a mortgage, and adding to the reported consideration (which did not include the value of the mortgages assumed) the

amount of the mortgages would give an actual value of the property of \$225,015, which, compared with the assessed values of the property, produces a ratio of 51% as compared with the 80% derived from the incorrect report of the Register of Deeds.

In this county there were 12 instances in which the consideration in the deed was exactly the assessed value and 12 instances in which the consideration was less than assessed value, and there are 27 other sales where the considerations are not expressed wholly in money, having been made subject to conditions which can not be valued in money but which must have materially affected the selling price.

Before leaving Racine County it may be interesting to note that the total assessed value of all property in that county for 1902 was \$32,212,568, while the total assessed value for 1903 was \$31,508,477, showing that although there is now a supervisor of assessment whose duty it is to bring about a full assessment, there was an actual loss in the assessment of that county of \$704,091.

The committee has some evidence as to the ratio of assessment employed in Brown, Oconto, Outagamie, Shawano, Winnebago, Wood and Marinette Counties. This consists of testimony given by persons familiar with those counties who have acted as members of boards appointed by the Circuit Courts to equalize valuations between taxing districts of their respective counties. The sum of the actual values of real estate for 1903 placed by these gentlemen upon their counties was \$175,344,671, while the assessed values of the same counties for 1903 was \$131,907,893, giving an average assessment in those counties of 75% of true value. We submit these figures as to the eight counties for what

they may be worth. We believe they show too high a ratio. They were based upon calculations that were not nearly so far reaching as those which we were enabled to make for the City and County of Milwaukee. Investigations outside of Milwaukee have necessarily been limited, but we believe that enough has been done to show that the reports of the Registers of Deeds can not be accepted with further scrutiny. It is not sufficient to eliminate those sales which on the face of the return should have been omitted. An examination of the deeds themselves is necessary, and further than that parties familiar with the transactions should be interviewed. Our investigation all tends to show that the ratio derived from the returns of the Registers of Deeds is too high and hence the true value of the general property of the state determined by such ratio does not exceed the assessed value as much as it ought.

But we have had the value of the real estate outside of Milwaukee County computed on the basis of the Registers of Deeds' returns for the last year. This work was done by Mr. Polleys, of the Omaha Road, who can give the details of his work. Briefly, Mr. Polleys first took four or five counties and worked out their values by separate taxing districts. He then ascertained their values considering the county as a unit. The results were so nearly alike that Mr. Polleys concluded that he would be substantially correct if the county were used as a unit instead of the individual districts, thus enabling him to deal with seventy territorial units instead of some 1,300 or 1,400, and of course greatly abridging his work. The result of Mr. Polleys' computations give an actual value of real estate outside of Milwaukee County of \$1,312,549,821, but this we regard as too low a valuation for the reason that it is based upon the returns of

the Registers of Deeds which our investigations show give too high a ratio.

Mr. Curtis: That is based on sales reported in the year 1903?

Mr. Dudley: Yes; one year's basis; compared with the assessment roll of 1902.

Mr. Curtis: But the ratio applied to the local assessment of 1903.

Mr. Dudley: No; 1902. He has used the Board's method, except that he used one year as a basis; and with this further exception; after determining that there was no practical difference whether he took each taxing district or an entire county as a unit, he took the county as a unit.

This Committee is not prepared to demonstrate that the real estate of Wisconsin is worth any particular figure, and in the nature of things such a demonstration is impossible. The Commission is better equipped for the work and it may be has already brought to light values which have not been discovered by the companies. But if we were asked to place a valuation upon the real estate of Wisconsin based upon our investigations, I think we might fairly figure it as follows:

For the city of Milwaukee I should apply to the assessed valuation of the real estate, \$142,570,116, the ratio of 52.07%, which would give a valuation of \$273,708,692. This is the ratio obtained by comparing the considerations in those deeds which were left after revision of the report of the Register of Deeds with the assessment of 1903 of the same properties.

To the real estate of Milwaukee County outside of the city I would give a valuation obtained by applying 42.84%

to the real estate assessment of 1903 (\$31,057,058), which would give \$72,495,700 for actual value. This gives to the real estate of Milwaukee County a valuation of \$346,204,392, which is almost exactly twice the total assessed value of the real estate of the county.

The real estate outside of Milwaukee County was assessed for 1903 at \$927,336,471. The figures obtained by Mr. Polleys were \$1,312,549,821. The assessment was 70% of Mr. Polley's figures, but Mr. Polley's figures, we think, are much too low, because he has dealt with the assessment roll of 1902 and with the figures of the registers which give ratios which are too high. We have the testimony of certain well informed gentlemen indicating that the average assessment of eight counties is at 75%; we believe that the best existing evidence shows that Milwaukee County as a whole is assessed at 50% and that the county outside the city is assessed at 42.84%, and from such investigation as has been made in Ozaukee and Racine Counties we believe that the assessment of real estate is about 50%. If from such data we assume that the real estate outside of Milwaukee County was assessed on the average at 63%, the true value of real estate outside of Milwaukee County would be \$1,471,962,652. I do not believe that this figure is unreasonable. It exceeds Mr. Polley's figures by \$159,000,000, but we should expect Mr. Polley's method to produce too low a figure. My estimate of the true value in 1903 of the real estate in Wisconsin is the sum of the figures given for Milwaukee County, namely, \$346,204,392, and that just given for the state outside of Milwaukee County, which make a total of \$1,818,167,044.

The personal property of the state was assessed for the year 1903 at \$238,031,134. If one were to judge the in-

dustrial development, the comforts of living enjoyed, or the degree of civilization attained, by the value of their personal property as shown in the assessment rolls, the conclusion would inevitably be that the people of Wisconsin are still living in the middle ages. The assessment of personal property in this state is a mere farce. Picture an assessor in the City of Milwaukee in the performance of his duty. His work of valuing property must be done in two months. He is compensated at the rate of \$60 per month. In the performance of his duty he must assess the value of the stock of a wholesale dry goods store. From this he passes to the assessment of a packing house. Next he is called upon to value the diamonds, watches, silverware, etc., found in a jewelry store; his omniscience is next to be applied in determining the value of the stock of a wholesale hardware concern, and in like manner he is required to value all classes of personal property. The performance of such a duty is a sheer impossibility. I understand that the assessment of such a concern as the Gimbel Bros.' store in the City of Milwaukee usually occupies about thirty minutes. It is absurd to say that there is such a thing as an assessment of personal property. As a matter of fact what is called the personal property assessment might better be defined as voluntary concessions made by property owners.

The value of the stocks in Wisconsin of merchants and manufacturers reported to a certain commercial agency in 1903 was \$179,820,902, which is more than 75% of the entire personal property assessment. In its October valuation this Commission increased the assessed value from \$238,081,134 to \$443,667,336, and used as a valuation of the real estate of the state \$1,309,504,464; that is, the personal property under the October valuation was fixed at about

34% of the real estate valuation. If the same per cent of the \$1,818,167,044 (which is our estimate of the value of the real estate) were taken, it would give for our estimated value of the personal property \$618,176,795, but 34% we regard as too low. The assessment rolls give no clue as to the value of personal property, but if we seek the views of experts and economists we find a practical unanimity of opinion that the value of personal property in such a commonwealth as Wisconsin exceeds that of real property.

It would seem to be more than conservative if in estimating the value of the personal property of the state such value should be fixed at 50% of the estimated value of the real property, and on that basis it would appear reasonable to fix the personal property valuation for 1903 at \$909,083,522, and this added to the estimate heretofore given of the real estate would make a total valuation of the general property of the state of \$2,727,250,566, to be used as the divisor in ascertaining the average rate of taxation. And this conclusion seems to be corroborated by the fact that the average rate thus produced will probably not materially differ from the average rate in adjoining states.

The people of Wisconsin are not a tax ridden people. We do not believe that we are taxed more heavily than our neighbors of other states, and many papers of the state have recently been tireless in their efforts to show how light is the burden of taxation under the administration of such a man as the present Governor. What the aggregate is of the state, county and local taxes for the year 1903 levied on general property we do not yet know, but assuming it to be \$20,000,000, the average rate on my estimated valuation of the general property would be about 7 mills. Compare this rate with that paid in the State of Iowa. The average rate

of taxation in that state is about 32 mills, but this rate is applied to one-fourth the assessed value. From voluminous testimony presented to the Executive Council of that state in July, 1902, by county auditors and others the assessed value of the state appeared to be about 80% of true value. The rate of 32 mills would, therefore, be applicable to one-fourth of 80% or 20% of actual value; and to apply 32 mills to 20% of full value is the same as applying a rate of six and two-fifths mills to full value.

STATEMENT OF W. W. BALDWIN ON THE VALUE OF THE
PERSONAL PROPERTY IN WISCONSIN SUBJECT
TO TAXATION.

2 o'clock P. M.

Mr. Chairman and Members of the Commission:

I received your circular letter, asking if I desired to be present at the preliminary hearing at which will be considered the question of the valuation of the railroad property in Wisconsin belonging to the Burlington Company, and wish to say that I desire to be present at that hearing.

That valuation, when it is made, will not be an estimate of value upon the property of the Burlington Company in Wisconsin, for the purpose of selling it, nor any part of the securities which represent it, nor for obtaining credit upon it, nor for estimating or illustrating the wealth of the corporation. It will be the valuation of the Commission alone, and made by it for a single purpose; and that purpose is to affix to it a certain tax rate. That rate is now unknown. It is not the same rate that is being paid, nor that will be paid, by any other individual in the State of Wisconsin upon his property; nor by any other corporation in Wisconsin upon its property, except it be a railway company; nor will it be the same rate that is being paid by the owners of other property in the counties and in the taxing districts in which the property of the Burlington Company in the State of Wisconsin is situated. It will be the Commission's own

rate as the valuation of the railroad is the Commission's own, subject only to the mandate of the constitution that "Taxation shall be uniform."

In its first report, that of 1901, the Commission formulated its own view of the law that was to accomplish this constitutional duty of uniformity and equality of taxation in Wisconsin in these words: "A law that will equally distribute the public burden among all the citizens of the state according to their property or ability to pay."

Subsequently, in the same report, you stated more at length the general principle which should guide in considering this question to-day, in these words:

"The laws of the states generally provide for the assessment of the property of individuals at the fair or market value, but this is not done. The valuation of railroad property at full value and other kinds at one-half value or less, when the same rate of taxation is laid on both, *is so grossly inequitable and unjust* that the constant effort and inclination will be to bring the former down to the common level or supposed equality. In the absence of reliable data, the levelling process *is a mere estimate*. The assessed value of property other than railroads is usually the only statistics available to state boards, and is *little or no guide to the true value*. To aid the boards in forming judgment as to relative value, resort is sometimes had to affidavits or evidence of witnesses who give opinions of the value of property in different parts of the state, which, instead of giving light on the question, are generally as unreliable as assessors' figures, and tend to mislead and confuse. Where such conditions are found, boards are confronted with the duty of ascertaining the value of all property in the state and the value of railroads, of making comparisons, *and then of assessing or equalizing the railroad property.*"

The duty, then, of this board, unquestioned and universally acknowledged, is to establish such a tax rate for railroad property as shall make the tax burden rest upon the

owners of that property in this state *the same* as it rests upon the shoulders of the owners of all the other property.

I can form no judgment, gentlemen, as to how you were impressed with the evidence that was presented to you this morning by Mr. Brown and others. It certainly was valuable and impressive evidence as to land values in Wisconsin, and proof that we are trying in good faith to co-operate with the Board, in ascertaining the value of the general property of this state.

I do not understand that anything which this Commission has yet done or announced at any time or place is inconsistent with the view that this whole subject is to-day before you unsettled and for consideration in its broadest aspect. I understand that your minds are still open, and absolutely without prejudice or predetermination, upon the broad question of what average rate ought to be fixed, in order to secure uniformity and equality in tax burdens as between the owners of railroads and the owners of other forms of property.

HOW RAILROADS WILL BE VALUED.

Regarding the valuation of the railroad property there can hardly be any doubt in the mind of any intelligent person that as that subject is developed and discussed and conclusions are reached, its full value will be found and declared. We all know that. If it is within the wit of man to devise plans for getting information and applying information so as to bring out every element of value, which have not been devised and applied to the question of the valuation of railroad property, I do not know what those plans are. Not only, as Mr. Crandon has said, every bolt and screw and every scrap of paper—all the physical features

which make a railroad, are produced in fullest detail and submitted to your scrutiny, and to that of critics and engineers; not only are all "franchise" features to be estimated, but beyond all that is the very wide field where it is possible to go into the question of earnings of the companies and of market quotations upon their stocks and bonds, and many purely speculative elements.

We may fairly assume, I think, that it is the present purpose and intention of this Board to take the full market and complete actual value of every railroad and of every scrap and fragment and item of value in the property of every railroad company, whether actually or constructively in the state, and whether omitted from the rolls or not, and apply to such complete valuations the tax rate which they will establish. There will be no such thing as "undervaluation" nor "omitted property" in the case of the railroads. Does not the mandate of the Constitution that taxation shall be uniform require in the case of the general property of the state, real and personal, that there shall likewise be no such thing as either omission or undervaluation? How else can there be equality and uniformity? Do not the principles of sound morality and evenhanded justice require this? Shall not this Board, in that broad discretion which belongs to it, under the Constitutional guaranty, see to it that in the general property there shall not be, manifestly, either property omitted from taxation nor property undervalued in the assessment? I hope to point out a way in which this may, at least partially, be accomplished in the case of personal property, both in the matter of habitual and intentional omission and habitual and intentional undervaluation.

RAILROAD VALUES AND GENERAL PROPERTY VALUES.

I do not approve the principle of taking market quotations of stocks and bonds as the test of value of the property of the company issuing them, nor of taking net earnings as such test of value. But there is a clear line of distinction, worth bearing in mind, between estimating values of land and of goods and other personal property, at a specified date, say on May 1, 1903, and when you come to the question of using market quotations of corporate stocks and bonds and the earning capacity of property, retaining a perfect liberty to take prior years into consideration. The distinction to be made is plain. A tract of land is sold in 1903. If you know what it actually and truly sold for, that is the best evidence in the world of its value in 1903. Many sales were made in Wisconsin in the past year of lands, and lots, and stocks of goods, and horses and other property. Those actual sales and prices and the conclusions of value that are to be drawn from them are the resultant of all the forces and influences that make value—the thing we call “value.” That is the value. But when we talk about sales of “securities” that have been issued by railroad corporations, we are not talking about sales of railroads. We are talking about an entirely different matter. Suppose there were no actual sales of horses, nor sales of land, nor lots, but that all the lands, lots and horses were owned by corporations, and the people who managed these corporations had issued in times past certain securities upon them. The Northwestern and the Milwaukee Companies are to-day operating properties which, as we say, are “capitalized” for so much; the stocks and bonds outstanding for these companies have come down to them as an inheritance of past years; and the stock market

quotations that are announced are quotations, not of sales of railroad property, but quotations of paper representatives of the property, and subject to all sorts of peculiar influences and conditions which may or may not show value. There are highly speculative conditions and other matters that involve questions of railroad strategy and of the control of one road by another. Now, if you had similar conditions in regard to land, and personal property, and if you were undertaking to determine values from such conditions—if there was a great auction or market for shares representing the general property of the state, then I would not maintain that you could dare to consider stock market quotations of such shares for a single year only. You would, beyond all question, go back into a series of years. Likewise, upon the question of earnings, which are so susceptible to great changes, depending upon prosperous or adverse business conditions in the country at large, in successive years.

Under the law which defines your powers you are positively required to find the value, the true full value, of the general property of Wisconsin on the first day of May, 1903, which is not the same thing as its average full value for the past seven years, or the past five years, or the past three years. The performance of that plain duty ought not it seems to me to be marred or hindered by the fact which is equally plain and clear that it is inexact and misleading and therefore impossible to accept stock market quotations of the shares of a railroad company for any one year, or the earnings of that railroad for any single year, as proof of the value of the property of that company.

Such quotations do not prove value. If taken for a series of years they throw some light upon value, while for a single year they may wholly deceive as to value.

THE SALES REPORTS AS A TEST OF LAND VALUES.

Allow me one word generally, upon the question of the sales method of valuation of the landed property. I thoroughly sympathize with the feeling and wish of the commission to seek for some true and fair test of land value. I sympathize with the hope of the commission to find that land sales as reported to the Secretary of State are a fair indication of true value. If you had, in fact, the whole truth before you regarding these sales, and could accurately compare them with the assessment, carrying out the full spirit of the law which Mr. Dudley read, I am not in a position to find fault with the theory. On the other hand, no one can fairly criticise the commission if it should, upon evidence, modify its view or hope as to the reliability of these reports of land sales. As you say, Wisconsin is probably the only state which has these statistics so fully, and so far as I know, this is the first real opportunity, or occasion, when that theory, so far as it is a theory, is put to the test.

If the Commission had made for itself the kind of investigation which has been disclosed by the evidence here to-day, or any other careful investigation to test the soundness of the conclusions drawn from these reports of sales, the case would be different. But assuming that the evidence is satisfactory; assuming that it is reliable; assuming that Mr. Brown is competent, and that the examinations which he has made are trustworthy, how can you possibly feel that you have before you in these reports of land sales made to the Secretary of State, a basis for determining values of land that will do? There are eighty thousand different land assessments in the City of Milwaukee. During the year about eight thousand sales were made in Milwaukee, and out of these sales,

reports of eleven hundred sales were made to the Secretary of State as being for money, and each showing in the deed the real consideration. These eleven hundred sales, with the considerations stated in the deeds and the assessments upon the same tracts, have been accepted as genuine tests of value and the percentage they indicate has been accepted and applied to the entire real estate assessment of Milwaukee. But they are not genuine tests of value—not half of them. A careful scrutiny discloses conclusively that in only three hundred and thirty-six of these transactions do the deeds show the true and real consideration of the sale; all the others are spurious, for the purpose used.

In Milwaukee County there are one hundred and twenty thousand assessments, and an examination of all the sales reported for the year in that county to the Secretary of State shows that there were just five hundred and twelve deeds in which the real and true consideration is stated in the deed. No more. That is one to every two hundred and forty assessments.

Now, where do these facts bring us? Is it in any way misstating the proposition to put it in this way: You have an assessment district in which are 240 land assessments, say of \$1,000 each, or a total assessment of \$240,000. In that district you find, during the year, just one sale. A lot assessed at \$100 has been sold for \$500. Would any one feel that, upon this evidence alone as to how assessors were assessing property in that district, this entire assessment ought to be multiplied by five and be made \$1,200,000, instead of \$240,000?

Would it do to apply the same rule to the assessment of personalty?

Suppose a taxing district in which 240 horses are reported

and assessed at \$50 each on the average, or \$12,000 in the aggregate. Then, during the year, suppose you have evidence of the sale of one horse for \$100 which has been assessed for \$20. Is that sufficient evidence that the assessors are only assessing horses at one-fifth value, and would it justify you in multiplying the assessment of horses by five and making it \$60,000, instead of \$12,000, in that district?

Mr. Dudley: Suppose that was the only data you had on sales, would you use it?

Mr. Baldwin: Well, I would find some other if I could. I would very much prefer the conclusions of value of your Appraisal Company. I would place greater reliance upon the judgment of the tax supervisors in the different counties.

Mr. Dudley: You would prefer to take that one reliable sale rather than to take the one plus a certain number of erroneous sales added to it, wouldn't you?

Mr. Baldwin: Yes, I would. But it seems to me that the basis is too narrow. It is not sufficient to justify us in reaching a conclusion upon that evidence alone. The disclosures made by Mr. Brown seem to prove beyond question that the deeds, of which a memorandum is filed with the Secretary of State, do not, upon their face, show the real consideration for the sale except in the case of about one sale to every two hundred and forty assessments, which, to me as a reasonable individual, does not appear to be a basis broad enough upon which to make a land assessment for the entire State of Wisconsin. There ought to be better evidence.

But the Commission has not strictly applied this method to the assessment of personalty. On page 66 of 1901 report you say:

"In their computations the Commission first calculated the total value of the personal property, by taking the aver-

age ratio of assessed valuation to actual value *shown by real estate in each assessment district* (it was deemed a fair presumption that the assessor applied to personal property, or that part of it discovered by him, *the same ratio that he applied to real estate*), then adding the total assessment of personal property in each district for five years and taking an average of that and *applying it to the real estate ratio.*"

Now that amounts to this, as I would read it: Take an assessment district in which there are 240 horses assessed at \$50 each, or in the aggregate \$12,000. You do not find what one horse has sold for and what it was assessed for, but you find what one lot sold for, or one farm sold for, in that assessment district, and you say: "We find that a lot assessed at \$200 has been sold for \$1,000, *therefore* we will multiply the assessment of horses in that district by five." That is carrying the thing a step further, and does not appeal to my judgment. The question whether in the mind of each assessor in the state it was intended to make application to all the personalty of the very same deduced ratio that he applied to real estate, is a totally different question. Are we justified in making so important a deduction as the assessment of all the personalty in the State of Wisconsin depend upon such a presumption? Are there not better methods? Are there not better tests? Are there not sounder rules by which we can be guided?

In what I may say regarding the true method of considering the question of the value of all the personal property in this state I shall try it differently, although you may conclude before I finish that the determination of the value of real estate is an exact science, compared with finding the true value of all the personalty.

PERSONAL PROPERTY OMISSIONS AND UNDERVALUATIONS.

The Commission is seeking to establish a tax rate the ultimate result of which will place the burden of taxation in Wisconsin upon those who own the railroads the same as it is being carried by those who own all the land, and all the personalty of the state. This is being worked out through the process, first, of ascertaining the full true value of all the property subject to taxation, including, of course, all the personal property.

Can we find such true value of all the property in this state by omitting to see, or refusing to consider, the half of it—either half? The proposition shocks our sense of fairness and cannot be accepted unless the command of the Constitution that taxation shall be uniform, is to be totally disregarded.

Speaking of this difficulty, the Commission, on page 65 of its 1901 report, says:

“It has been stated by many economists and statisticians, and generally accepted as truth by others, that taxable personal property probably exceeds in value the taxable real property in all the older states and equals it in the newer sections. The Tax Commission, while not prepared to disprove this, has proceeded in its work upon the hypothesis that the proposition has not been proven. In the practical administration of tax laws at the present time it is apparent that calculations must be confined to personalty that actually finds its place on the tax rolls. The public burden falls almost exclusively upon the personalty found on the rolls and on the real estate. Taxes are levied on such property, and not on that which escapes. It is so everywhere and no less in Wisconsin than in other states. *Speculation* as to how much escapes will not make up the deficiency, nor can it be contended that the evasion is ground for lessening the just burdens on *property that can be reached*.”

Now, suppose it was a practice with assessors in Wisconsin in one year to assess only the odd-numbered sections of land, and the odd-numbered lots; and in the next year to assess the even-numbered sections, and even-numbered lots; and suppose that such a practice was not so repugnant to the law but that it could be upheld. You have before you the question of establishing a tax rate that shall rest upon railroad property the same as it rests upon the general property of the state. Would you ignore this practice? Would you simply take into consideration the real estate you find for that year upon the tax roll? No; you would take into your account *all* the real estate, whether undervalued or omitted from assessment. In any taxing district if you found one lot that was omitted, you would not hesitate to insist that that lot should be considered. Why? Because you are determining under the Constitution a broad question of equality in taxation. You have before you, to be valued by yourselves alone, a certain class of property. You are to fix a tax burden upon that property: nobody else is to do that. Aside from the fact that the owners of the real estate are also the owners of the personalty, there is the further important fact that they select those who list and assess their property. If you would not allow wholesale omissions of land to pass unheeded in considering what is the true value of all the general property of the state, how can you do it with regard to the personalty? Suppose that assessors deliberately and habitually omitted all personal property from assessment? This item appears to me to indicate such a tendency: Last year there were 50,646 watches in the state, assessed at \$643,000; this year there are 5,513 watches, assessed at \$135,262. Perhaps we are approaching a condition where all personalty is to be ignored.

Mr. Curtis: You remember there has been a remarkable change in the law in regard to the assessment of watches between 1903 and 1902.

Chairman Gilson: They are all exempt unless of the value of fifty dollars or over; and of course it is difficult to find a watch worth more than fifty dollars. In 1902 all watches were assessed.

Mr. Baldwin: That is an explanation which escaped my notice. Last year there were assessed seventy-three millions of moneys and credits; this year there are twenty-four millions.

Mr. Curtis: You are aware of a great change of the law in that respect.

Mr. Baldwin: The change, as I understand it, was, that where land is mortgaged, and the mortgage is assessed, the value of the mortgage shall be deducted from the assessment of the real estate.

Mr. Curtis: That is quite different from what the law is. Mortgages are assessed as an interest in the real estate, and do not appear as a personal property assessment.

Chairman Gilson: They are wholly eliminated from the personal property assessment where they are upon taxable real estate. There are a few mortgages on non-taxable real estate where they would be on the personal property assessment; otherwise all mortgages are assessed as part of the interest in the real estate.

Mr. Baldwin: Are they supposed to appear in the real estate assessment?

Chairman Gilson: The real estate assessment is the same as it was before. It appears as the equity of the mortgagor, and the interest of the mortgagee.

Mr. Baldwin: That is, through the operation of the law this tendency to omit all personalty from the assessment is being accelerated.

Chairman Gilson: The law amounts to a practical exemption of mortgages as personal property. It is intended to relieve the owner of the premises from double taxation.

Mr. Baldwin: Such an interpretation, I must admit, increases the difficulty of forming a correct judgment as to the true amount of moneys and credits which you ought to take into consideration, but that duty of forming a judgment remains your duty notwithstanding the increased difficulty.

To bring out the point as to palpable and intended omissions more clearly, let me ask this question: Are you willing to carry the suggestions of omission from assessment one more step?

Simply assume that, under suitable and appropriate legislative enactments, combined with the deliberate and systematic action of the assessors, all the land and all the personalty are substantially dropped out of the assessments—leaving nothing except your own assessment of the railroads—and that you are then confronted with the duty, as now, of levying upon railroad property an equal and uniform tax rate, which will result, if I may again quote your own words, “in equally distributing the public burden among all the citizens of the state, according to their property or ability to pay.” Such a condition is before you this very day, in fact, as to two-thirds of all the personal property in Wisconsin, and the wrong and injustice of it will appear more and more clearly as the vast and rapid increases in wealth take on personal property forms—in fact, they are changing into forms of personalty more and more.

So far as the property of the railroad companies is concerned, what is then to become of their constitutional protection of equality and uniformity of taxation?

THE TRUE VALUE OF THE TAXABLE PERSONAL PROPERTY OF WISCONSIN.

In a communication recently submitted by a committee upon taxation of the business men's association of the City of Boston, they made this declaration: "The personal property of both the city and the state which under the law is subject to taxation, can not be less than *twice* the value of the real estate. *Upon this all writers agree.*" I will not ask this Commission to accept that principle, nor the principle named by itself, that "taxable personal property probably exceeds in value the taxable real property in all the older states, and equals it in the newer sections." But, I have often observed that general principles of this character, based upon generations of human experience and the judgment of independent inquirers—such, for instance, as the Gresham Law in finance—are oftentimes more to be relied upon than many of these things we say we can prove specifically. I may not be able to *prove* that the value of the personalty in this state is equal to the value of the land, however, much I believe it. Wisconsin is a great state. It is a great manufacturing state. It has four hundred million dollars invested in manufactories; more than three times the capital in factories that we have in the State of Iowa. The manufacturing industries of Wisconsin are growing wonderfully. It is in such states that the proportion of personalty to realty is large. It is to such states that this principle or rule that the value of the personalty exceeds the value of the land may very

properly apply. You have in Wisconsin over two hundred million dollars of bank resources. The value of your agricultural products for the single year 1900 was reported in the census at over one hundred and sixty millions of dollars; the value of logs and timber products over fifty-seven millions; and the capital employed in manufactures three hundred and thirty millions. Where do these vast amounts of wealth and greatness appear in your personal property assessment? There are four items: "Leaf tobacco," one million, seven hundred and fifty thousand dollars; "logs, timber, ties, etc.," twelve millions; "bank stock," twenty-two millions; "moneys and credits," twenty-four millions; or about fifty-nine millions. That is all. Among the sources of the present material wealth of Wisconsin, are these hundreds of millions in value and of all this taxable personalty I find fifty-nine millions assessed.

But I am not asking that a valuation be made of this property upon mere generalities. I am admonished, if admonition were necessary, by the suggestion of the Commission that "*Speculation* as to how much personal property escapes assessment will not make up the deficiency." If I can not point out where it escapes, and how it escapes, I do not ask the Commission to indulge in mere speculation upon this subject.

The assessors returned a personalty assessment of 1903, for the whole state, of two hundred and thirty-eight millions of dollars. The Commission, in its October valuation, increased that to four hundred and forty-three millions. That we understand to be a purely tentative estimate and for an adjustment of the state tax and having nothing to do with your estimate of the total personalty which, together with the real estate, is to constitute the "general property" sub-

ject to taxation, from which you are to establish an average rate to be applied to railroad valuations. That estimate, as I said, is as yet entirely undetermined. To decide what it ought to be is what this hearing is for. The assessors returned personal property to the aggregate of two hundred and thirty-eight millions and you raised it in October to four hundred and forty-three millions. That amounts to saying that, for the October purposes, you would regard the state assessment of personal property, as of date May 1, 1903, to be equal to fifty-three per cent. of true value of the personalty. In my opinion, based upon the best thought I have been able to give the subject, it does not exceed thirty per cent. of true value. I believe the Commission will be guided by the facts. Some of the facts which have influenced my judgment have been furnished by the Commission itself. That is simply a further acknowledgment of the debt which the people of the state owe, and all those interested in this question owe, to the work of the Commission.

VALUATION OF PROPERTY OF ESTATES OF DECEDENTS.

I ask to recall your attention to the investigation which you made of the assessment of the property of decedents' estates. You investigated over eleven hundred estates, in seven different counties, and covering eight millions of property; and those results are embodied in the table at page 128 of your 1901 report. This table shows that those estates had personal property with an appraised value of about eight million dollars; and that out of that there was \$248,000 properly exempt on account of debts, and \$2,696,088 taken out on account of "other exemptions," so that there was left, properly subject to taxation, \$5,023,860. This was assessed at

\$1,131,000 or twenty-five per cent. of appraised value. A large portion of this total was "intangible" personalty—stocks and bonds and cash. I have carefully read and largely sympathize with, the views of the Commission about how much of that intangible property should be considered in estimating the true value of estates. Part of it might be stock in a Wisconsin corporation, which, by law, is exempt from taxation, as such. But, if you throw out every dollar of the intangible property, you have an assessment upon the remainder of only thirty per cent. Upon page 131 of the Report, you say: "Including Milwaukee County but omitting the one estate referred to, the ratio of appraised intangible personalty to the whole personal appraisement is about 91 per cent. and the ratio of the assessment of same to the whole appraisement is 9 per cent., while the ratio of appraised tangible personalty to the whole appraisement is 10 per cent., and of the assessment of same to the whole appraisement is 3.5 per cent.; or, making the comparison in another way, we find that of the appraised intangible personalty (which is 90 per cent. of the whole) only 5.5 per cent. was assessed, *while of the appraised tangible personalty (which is but 10 per cent. of the whole) almost 31 per cent. appears on the assessment rolls.*" So that if you ignore every dollar of intangible property that belongs to those estates, you have only 30 per cent. of the actual tangible property, after throwing out all exemptions of every character, upon which there is any assessment for taxation.

One word in regard to appraisement of estates. It is undoubtedly true, as the Commission says: "The values set by appraisers in the County Courts are quite conservative and lower rather than higher than the prices which could be obtained for the same property at private sale. Adminis-

trators and executors quite generally desire a low appraisalment, so that when their final account is rendered there may be no loss shown from inventoried prices, and appraisers, we presume, are somewhat influenced by this desire of the administrators and executors."

That is true, and more, because in my experience there is another motive much more powerful than that suggested by the Commission, and that is this very tax feature. These estates are in process of winding up, and the personal property in the hands of executors on the first of May, each year, ought to be subject to assessment. They may continue as executors for years. It is my recollection that in the City of Chicago many estates—for instance the Pullman estate—turned out to be double the appraisalment. That was largely to avoid taxation. Those in charge of estates are governed by the same kind of selfishness as other mortals.

We must all die and our estates be probated, if we have any. Your investigation only covered thirteen hundred estates, scattered through seven counties. But there is not a reason on earth for thinking that a state-wide investigation would not disclose similar facts. It amounts to this: Excluding every dollar of intangible property, and considering tangible property only, the probating of every man's estate in Wisconsin will show that his personal property is only assessed for taxation at thirty per cent. of its appraised value, which is decidedly less than the true value.

If that is true of his estate when he is dead, it is equally true of his estate when he is living. Can you shut your eyes to such evidence? If you believe upon facts like these, that there is a systematic and universal method in force among Wisconsin assessors, through which the tangible, visible, physical personal property of the state is assessed, as a

whole, at not over thirty per cent. of its value, how can you in good conscience and under the law fail to place upon the two hundred and thirty-eight millions which they have thus partially assessed, a true valuation of seven hundred and ninety millions? This ignores the whole immense volume of intangible personal property which all concede is not assessed at six per cent. of its true value.

THE ASSESSMENT OF MERCHANDISE STOCKS.

I frankly acknowledge the obstacles in the path of this investigation into the true value of all the personalty in a great state like Wisconsin. We have no power to re-assess property; we have no official authority whatever. The Commission has wide authority. All that we can do is to present to the Commission such evidence bearing upon values as seems to us authentic and reliable; it is for you to weigh and sift and estimate.

This line of investigation occurred to us, regarding one important class of tangible personal property—the merchandise stocks—that we apply to the Commercial Agency which for many years has been engaged in the business of undertaking to find out the true value of the stocks of merchandise of persons in business who seek credit, and whose places of business are in Wisconsin. This agency did not then and does not now know for what purpose this information was asked. And with regard to all the information which we have sought to place before the Commission I think that you will agree that we have acted impersonally, and in good faith.

It was manifestly impossible for us to obtain from the Commercial Agency figures as to values identically on the first of May, 1903. All we could do was to say to them, "We

want the last reports you have." The Burlington Company is a subscriber to this Commercial Agency and has been for many years. I wrote to the manager and said that I wished to know the values of the stocks of merchandise in the City of Madison and in the City of Milwaukee, stated separately, and then also in the whole State of Wisconsin. I requested a statement from them as to the method they employ in ascertaining these values. The reply is dated January 5, 1904, and is as follows:

"The figures which we have given represent the average standing stocks of merchandise in the State of Wisconsin. The data come from reports covering the entire year of 1903, and the figures were also weighed with those of the year previous, as a check against possible discrepancies. In no other way could the estimates have been compiled, as the reports were variously dated from the beginning of the year up to the time the work was started. Nothing was considered except tangible, physical stocks of merchandise. This we understood was the only thing desired. You ask us to inform you in detail how the information is secured by this agency, and how we finally record the true value of the stocks. It would indeed be a difficult matter to answer these questions comprehensively, without going through a great deal of tedious and lengthy detail. While we do have a general method, almost every case requires special treatment, and a deviation from the general rule. In cases where the parties make statements, efforts are always made to confirm the values, from well informed and independent sources. In some instances authorities have no close knowledge, and base their acceptance of statements on their estimates of the parties' integrity and reputation for conservativeness. It is not difficult in either large or small places to detect gross overvaluations made for the purpose of bolstering worth. The means by which we discover these misrepresentations are various."

"Where statements are not obtained, the estimates of merchandise are made by correspondents, who are best acquainted with the merchant reported. Frequently the fig-

ures given represent an average struck from several opinions."

They reported: "There are eight hundred persons engaged in mercantile business in the City of Madison, and the value of their stocks of merchandise is \$2,875,345." The assessment for taxation in 1903 upon those same stocks, by the assessors, is \$681,091.

Mr. George R. Peck: Are those reports made up by the commercial agency from statements of the merchants themselves?

Mr. Baldwin: Yes, and from investigations they make.

Mr. George R. Peck: They originate from the merchants themselves, so as to have a standing fixed by which they can get credit.

Mr. Baldwin: Yes. This is to be said: if a man was expecting to have a fire, or to sell out, he might exaggerate. All that is to be considered. But this is a useful statement of value, and an underestimate, so far as the whole state is concerned. In the City of Madison the assessment of merchandise stocks is 24 per cent. of their value.

Chairman Gilson: Does that relate exclusively to merchandise, or does it relate to total assets? Do they separate those things, always, in their reports?

Mr. Baldwin: Yes, they do. I went to their office in Chicago and examined particularly as to that. "Capital" is one question, and the actual "stock of goods" another. Nothing was considered except tangible, physical stocks of merchandise. This was the only thing desired. When it comes to "capital" values, and what the merchant is earning, or what his valuation would be if his merchandise was put into a corporation and the stock of such corporation was

quoted on the Stock Exchange—such a mode of estimating values is only for the railroad; it is not for the merchant. If that test was applied it would make a very different showing. But there is nothing reported here except physical stocks of merchandise.

Mr. Dudley: That does not include any estimate of the value of stocks which are not reported?

Mr. Baldwin: No. That, now, is your information, and at your service; you have all the powers of the state to inquire here in the City of Madison whether the statements are true or not. We have not.

In the City of Milwaukee there are 6,794 mercantile establishments, which have \$57,073,096 of value in stocks of goods. They are assessed for taxation at \$15,100,915, or 26 per cent. of their value.

The remainder of the state is more fairly assessed on stocks of merchandise than Madison and Milwaukee. The total merchandise stocks in the state, as reported, have a value of \$179,820,902, in 54,549 different establishments. They are assessed at \$61,574,536 for 1903, or 34 per cent. of their value.

Mr. T. A. Polleys: That schedule is headed "Merchants, and Manufacturers' Stocks." This includes absolutely nothing but merchants' stocks.

Mr. Baldwin: That is as I understand it.

Chairman Gilson: You include all who have merchandise on hand; people who are seeking credit. That would include the stock of lumber of a manufacturing concern, would it not?

Mr. Baldwin: No, I don't think it would.

Mr. Curtis: The assessment figures that you are giving

in connection with this data are the assessment figures of 1903?

Mr. Baldwin: Yes; \$61,574,536.

Mr. Curtis: Does that appear on the face of the matter which you submit?

Mr. Baldwin: Yes. We know, of course, that there are a large number of small dealers not so important that their business finds a place upon the books of a commercial agency. It is a reasonable and fair conclusion from the evidence that the value of merchandise stocks in Wisconsin is, at least, two hundred million dollars. This is very strong corroboration of what you yourselves have announced from the evidence of the probate records, that the prevailing ratio of assessment upon tangible personal property in the state does not exceed thirty per cent. of its true value.

The following is the table for merchandise stocks:

MERCHANDISE STOCKS FOR 1903.

(WISCONSIN.)

	Number of Merchants	Value of Stocks on Hand	Assessment of same Stock for Taxation	Percentage of Assessment to Value
Madison.....	800	\$ 2,875,345	\$ 681,091	24
Milwaukee	6,794	57,073,096	15,100,915	26
Entire State	54,549	179,820,902	61,574,536	34

THE LIVE STOCK ASSESSMENT.

My investigations convince me that, as compared with 1900, there has been in 1903 a substantial increase in the assessment upon Wisconsin live stock, on a basis of value—a greater approximation towards true value.

This table shows the valuation for Wisconsin upon live stock appearing in the census reports for the year 1900, and the assessment upon the same classes of live stock for the same year (1900):

LIVE STOCK CENSUS VALUATION COMPARED WITH ASSESSMENT OF 1900.

<i>Horses—</i>	<i>Census.</i>	<i>Assessment.</i>
*Number	641,493	471,000
Valuation	\$39,772,560	\$14,928,000
Average Value	\$61.75	\$31.67
<i>Neat Cattle—</i>		
Number	2,314,105	1,482,700
Valuation	\$46,849,418	\$18,162,000
Average Value	\$20.25	\$12.92
<i>Sheep and Lambs—</i>		
Number	1,675,453	884,120
Valuation	\$4,510,356	\$1,398,000
Average Value	\$2.69	\$1.58
<i>Swine—</i>		
Number	2,014,000	562,330
Valuation	\$7,580,423	\$1,706,740
Average Value	\$3.76	\$3.03
	Census Valuation.	Assessment (1900
Total Live Stock in Wisconsin.	\$98,712,757	\$36,194,740

Those figures would indicate that in 1900 the live stock assessment was about 36 per cent. of value, but the census figures on value are not at all exact or reliable, if you ascertain values from what live stock was selling for in the markets in 1900. I do not know where the census people got their figures; I have no means of knowing what investigations they made into market values.

*The number of horses includes 85,737 "not on farms."

Chairman Gilson: They got them in the same way, I suppose, that the commercial agency got the amount of the stocks of merchandise in this state, from the statement that the owners made, in the one case to the commercial agency, and in the other to the enumerators; being the value fixed on such property by the owners.

Mr. Baldwin: I have here accurate information as to true values of live stock in 1900, based upon sales actually made in the market. The Illinois State Board of Agriculture made an official statistical report for the year 1900, showing that in that year 83 per cent. of the whole number of hogs assessed in Illinois by local assessors were actually sold and marketed; that the number sold was 2,248,000; and the average live weight was 225 pounds, and the average price received was \$4.35 per hundred, or an average price of \$9.78 per hog. That was in the Chicago stock market, which is not ~~the~~ same thing as the farm price in Wisconsin.

Mr. Curtis: Wasn't that also after the hog had been taking in corn from some time in May until September, in the autumn?

Mr. Baldwin: I do not know. I have no doubt that the value of the hog in Chicago was greater than the value in Wisconsin; and that the test of value in Wisconsin was not solely the price at which the animal sold for in Chicago. It costs something to sell it; the commissions and freight charges amount to, perhaps, \$1.50 per hog. But taking everything into consideration, an average value of \$8 for swine in Wisconsin, in the year 1900, based upon actual sales, would be a low value.

Mr. Curtis: For the autumn valuation, in the market.

Mr. Baldwin: My estimate was on the May valuation. A valuation of horses in Wisconsin, in 1900, of \$80 per head is a fair and conservative estimate.

There were sold in the Chicago stock market in 1900, 462,197 cattle, all grades of cattle, from Wyoming, and Texas, and elsewhere, and the average price was \$47.79 per animal. An estimate of \$30 each for cattle in Wisconsin is fair.

If these prices for live stock were applied to the Census figures for 1900, the true value was \$141,880,939, for those classes, instead of \$36,194,740; that is, the assessment was at 25 per cent. of value in that year.

I have said that the live stock assessment for 1903 is upon a much fairer basis than in 1900.

In 1900 that assessment was \$36,000,000; in 1903 it is \$73,000,000 in the aggregate.

In 1900 the assessors made an assessment upon 73 per cent. of the horses, 64 per cent. of the cattle, 53 per cent. of the sheep, and 28 per cent. of the hogs that were actually alive and in Wisconsin, if the Census figures as to numbers are reliable, and this question seems to me very pertinent: Where did the Census enumerators find the hogs, and the horses, and the cattle which they enumerated? They found them upon the farms, and it is impossible to think that the assessors could not also have found them if they had not, with deliberation, shut their eyes.

What were the fair, just and reasonable values, the Wisconsin prices, of Wisconsin live stock in May, 1903?

I hold in my hand the Live Stock Report for 1903, of the Union Stock Yards Company, of Chicago, the greatest live stock market in the world. I wrote last week to one of the

official managers of that company a letter from which I will read:

"The problem we are seeking to solve is this: What was the fair value in Wisconsin in May, 1903, per head, of the horses, cattle, sheep and swine? The assessors, in their 1903 assessment, fix \$59.32 per head for the horses; \$18.32 for the cattle; \$2.27 for the sheep and lambs; and \$6.51 for the swine. Taking your knowledge of the markets, and the cost of marketing from Wisconsin, will you kindly give me your best judgment as to what price per head should fairly and honestly be stated for these classes of live stock in Wisconsin for the month of May, 1903?"

The quoted official prices for horses in Chicago in May, 1903, were as follows: Draft horses, average price, \$175; carriage horses, \$240; drivers, \$155; for general use, \$125; bussers and trammers, \$145; saddlers, \$170; and "southern chunks," \$65.

Mr. Haugen: There are no data given as to young animals?

Mr. Baldwin: No, sir.

Now, in the Chicago stock yards there are dealers who trade exclusively in Wisconsin stock, that is, stock which is shipped in there from Wisconsin, as there are others who deal in Texas stock only, and Iowa stock only. My informant applied to the dealers in Wisconsin stock for a correct answer to my questions, and has sent to me the following statement of the fair market prices per head of live stock in Wisconsin, in May, 1903, and also the Chicago prices, as follows:

	CHICAGO	WISCONSIN
	VALUE.	VALUE.
Cattle	\$ 44.75	\$ 34.00
Hogs	13.62	11.00
Sheep	4.05	3.50
Horses	133.75	123.00

I have made a calculation of the fair valuation of live stock in Wisconsin on May 1, 1903, estimating the true numbers on the basis of the census figures, as applying to 1903, and taking a value for horses of \$80, for cattle \$30, for sheep \$3, and for hogs \$8, and upon such calculation the valuation amounts to \$171,032,000, the assessment being \$73,391,153.

Mr. Haugen: When he says "in Wisconsin," does he mean in Milwaukee or at the farm?

Mr. Baldwin: He says, "In Wisconsin."

Chairman Gilson: His judgment in regard to the value of these various animals is formed from the animals that are marketed in Chicago; and he calculates how much less they would be worth in Wisconsin before being shipped there.

Mr. Baldwin: Yes; and I think we should take this into consideration: that this inquiry was made of intelligent people, who have acquired ability and knowledge as to market prices in the course of many years experience.

I hold in my hand the statistical reprint from the year book of the Department of Agriculture, for 1902, which is issued by the government. This gives the average price of horses in Wisconsin, the farm price of horses in Wisconsin, for the year 1902, at \$79. It also gives the number and average price and total value of hogs in every state on the first of January, 1903. It states that in the State of Wisconsin, on January 1, 1903, there were 1,686,885 hogs, as against 613,000 found by the assessors, of the average farm value of \$8.98 a head, or \$15,148,227, as compared with less than \$4,000,000 found by the assessors.

Mr. Curtis: In taking your numbers you assumed, did

you, as the census I suppose assumes, that all the sucklings are counted in?

Mr. Baldwin: I do not believe that they would rate suckling pigs at \$8.98. That cannot be the same sort of animals.

Mr. Curtis: In giving your count, did you assume that the census count takes in the sucklings or excludes them?

Mr. Baldwin: I took the census count as it is.

Mr. Curtis: If it does include the sucklings and old plugs, then you would revise your figures as to the average value?

Mr. Baldwin: Is there any reason to believe that among the seventeen hundred thousand hogs on the first of January, 1903 found by the government officials who made the investigation, estimated by them in Wisconsin at nine dollars a head, they included pigs?

Mr. Peck: Suppose they did; the government estimate shows that the average of the whole is so much.

Mr. Baldwin: \$13.62 was the true market price.

Mr. Bowers: That would make the average higher.

Chairman Gilson: The census divides live stock into the various ages. They are not all given under one head. You will find those of a certain age, say under two years of age, and so on.

Mr. Polleys: That is true of cattle, but not of swine.

Mr. Dudley: I don't think there are many sucklings in existence January first.

Mr. Curtis: Is there anything to show that the government estimate is made upon any census made as of the date mentioned, January, 1903?

Mr. Baldwin: I cannot tell.

Mr. Curtis: Is it possible for it to contain those figures and to have been compiled and printed at this date?

Mr. Baldwin: For 1903?

Mr. Curtis: Oh, yes; that is a year ago.

Mr. Baldwin: They have a corps of correspondents, and the Agricultural Department has certain sources of information upon which it relies.

This same statistical government report contains tables showing the following:

"Acreage, production, value and distribution of corn, wheat, oats, etc., in the United States, and the stocks on hand in the hands of farmers in the various states on March 1, 1903, and the value per bushel."

From these official tables I have compiled the following:

WISCONSIN AGRICULTURAL PRODUCTS.

AMOUNT IN THE HANDS OF FARMERS MARCH 1, 1903.

	Total Production— Bushels	Value	On Hand March 1, 1903	Value	Value per Bushel
Corn.....	42,000,000	\$21,000,000	13,000,000	\$ 6,500,000	\$.50
Wheat.....	9,600,000	6,100,000	3,600,000	2,304,000	. 64
Oats.....	94,000,000	28,500,000	40,000,000	12,000,000	.30
Barley	16,500,000	7,600,000	3,800,000	1,750,000	.46
Rye	6,209,000	3,104,000	1,600,000	800,000	.50
Potatoes.....	28,752,000	9,500,000	3,000,000	1,000,000	.33
Hay	3,268,000 tons	25,854,000	1,200,000 tons	9,492,000	pr ton 7.91
Tobacco.....	64,800 lbs.	4,500,000		1,800,000	pr lb .07
				<hr/>	
				\$35,646,000	

Now, where does all that appear in the assessment on May 1, 1903?

Mr. Curtis: How much would you estimate of the stock would be depleted two months later?

Mr. Baldwin: You can form as good an estimate of that as I. Of that thirty-six millions of value in farmers' hands March 1, 1903, I find in this assessment \$1,754,250, the value of "leaf tobacco," and absolutely nothing else. Why

there is a return made of leaf tobacco, and no other farm product, I do not know.

Mr. Curtis: The law does not require these miscellaneous farm products to be reported under specific heads. They are under the head "All other property" if at all.

Mr. John Murphy: Where was this grain stored according to government reports?

Mr. Baldwin: It was reported as "in the hands of the farmers," on the first of March, 1903—\$35,646,000 of farm value.

Mr. John Murphy: Not in the elevators?

Mr. Baldwin: No.

THE ASSESSMENT OF MONEYS AND CREDITS.

Regarding a proper valuation of moneys and credits there is certainly much less exactness. I have read with interest and profit the discussion of the Commission in its 1903 report, upon the taxing of credits generally, and of taxing capital stock, the mere representative of property.

I am probably more in accord than I am in discord with many of your views. But there remains your law which, barring the changes as to the assessment of mortgage credits upon taxable lands, still requires you to determine what, according to your best judgment, based upon the evidence, is the fair amount of moneys and credits in Wisconsin which ought to be considered in estimating the total general property of the state.

As I have said, you have a banking capital of two hundred millions, and a manufacturing capital of four hundred millions, and you are a prosperous commercial and manu-

facturing state, in which money, and taxable credits, as a form of property, are great forms of wealth. In Massachusetts they assess five hundred millions of bank deposits. You have about one hundred and fifty millions of bank deposits in Wisconsin.

Chairman Gilson: When you speak of bank capital you speak of deposits, do you?

Mr. Baldwin: Yes; I include them. If a man has his fortune in cash he is protected by law, and ought to pay taxes. In the present state of the law, that is fair and it is fair for you to consider it.

In the course of your work you have made some elaborate tables as to the amount of moneys and credits placed upon the tax rolls in different communities. One table especially interested me—that which is shown on page 112 of your 1903 report. In that table it appears (in the groups 6, 7 and 8, of assessment districts) that assessors of the smaller towns, aggregating nearly 260,000 population, do actually assess moneys and credits to the extent of \$78.06 per capita, or a total of \$20,276,000. This is not one community, but scores of widely scattered Wisconsin communities; not one assessor, but many. It seems to indicate that in practically all the smaller towns of Wisconsin there is an assessment of moneys and credits approximating \$100 per capita. Why do not assessors in the larger towns and in the cities where the intangible wealth abounds find an equal amount for assessment? Do you doubt that, even in these communities, representing 260,000 people, this per capita assessment of \$78 is a low assessment? I confidently claim that \$78 per capita is a fair figure for you to take as applying to the population of Wisconsin, and that in the final just consideration of the true “general property” subject to taxation,

and which can and should shoulder its part of the tax burdens along with railroad property, you will put down at least \$175,000,000 of moneys and credits, which would be seventy-eight dollars per capita of the present population of the state.

Here is your view, expressed in the 1903 report, after this careful and painstaking inquiry into the assessment of moneys and credits in 1902:

"The amount assessed in 1902 is believed to be but a small portion, or at least not a very large portion, of the total amount of credits legally subject to taxation." This view you reiterated later on in the same report, in these words: "It is reasonably certain, however, that the total amount of credits legally liable to assessment under present day business conditions, after deducting bona fide debts owing by the holders thereof, is a very large sum and it is not doubted that it *exceeds many times the seemingly large sum assessed in 1902.*"

Holding these views as you do, based upon actual returns of cash for assessment, I feel the more confidence is asking you to estimate an amount of moneys and credits legally liable to assessment, equal to that being actually returned to assessors for assessment in scores and scores of the smaller assessment districts of the state.

The situation as you find it, is an intentional under-valuation of the amount of moneys and credits subject to taxation by practically all the assessors in the City of Milwaukee, and the larger cities. These particular assessors habitually and intentionally violate the law by returning the moneys and credits in their districts at a much less amount than they know to exist. It is equivalent to fraud on their part—a fraud upon the tax payers in those assessment districts where they do return an average of \$78. per capita, and it will be a fraud upon the railroad companies if some ap-

proximation to the truth, as to moneys and credits, is not embodied in your estimate of the general property legally liable to taxation, as a basis for determining the just "average rate" which you are seeking.

A FAIR VALUATION OF PERSONAL PROPERTY.

I said that I hoped to demonstrate in a reasonable way that the assessment of 1903 upon personal property does not exceed thirty per cent. of its value and should, therefore, be made seven hundred and ninety millions. The fact disclosed by the assessment of the tangible personal property of decedents' estates, ignoring all intangible property, at thirty per cent. of the appraisement, is proof of a universal practice among assessors in Wisconsin to assess all personality at not to exceed thirty per cent. of value. That is not mere "speculation." It is proof.

The fact that merchandise stocks are habitually and universally assessed at thirty per cent. of their value confirms the existence of this general and uniform practice in thus assessing all personal property. It is far more reasonable to expect a true assessment of merchants' stocks than of the property of such corporations as water and lighting companies, or a true assessment of logs, and ties, wagons, watches, or of live stock, or of that indefinite item called "all other personal property." The assessor has the same sources of information that we have regarding stocks of goods in the hands of merchants. He can go to the mercantile agencies, if he wants to, and get information. He can make investigations.

Mr. Curtis: Do you suppose any assessor, if he had the money to put up, could obtain from the commercial agencies

this information as to stocks of goods of merchants and other business men?

Mr. Crandon: They do in Chicago. They go right to the commercial agencies there. One of the things said to us when we were talking to the commercial agency men was: "Why, certainly; the board of review, or board of assessors, send over constantly to check up these questions of local assessment on stocks of goods and merchandise."

Chairman Gilson: As to particular individuals?

Mr. Crandon: Yes; and gave us the names of some.

Mr. Curtis: I had to fight like everything to get them to consent to their depositions being taken, for the purpose of private litigation; which is a long way removed from assessment and taxation purposes.

Mr. Crandon: One of the men they spoke of was Fred Upham, Chairman of the Board of Tax Review in Chicago.

Mr. Baldwin: There is abundance of evidence, sound evidence, available to you to justify the conclusion that there is a deliberate, systematic and unlawful practice by Wisconsin assessors of assessing the personal property of the state at not over thirty per cent. of actual value. That is not mere "belief"—it is fact. It is far less than the truth, as embodied in the view of all the writers and students of economics, who say that in a commercial and manufacturing state like Wisconsin the value of the personality equals if it does not exceed the value of the real estate.

But the critic will say, "Point out this personal property; tell us where you find it." In reply to that, I respectfully submit the following:

A VALUATION OF WISCONSIN PERSONALTY.

(1903.)

Merchandise Stocks	\$200,000,000
Live Stock.....	171,000,000
Moneys and Credits.....	175,000,000
Bank Stocks	22,000,000
Logs, Timber, Lumber, etc.....	40,024,000
Steam and other Vessels.....	1,870,000
Water and Light Companies.....	31,698,000
Wagons, Carriages, etc.....	20,006,000
Watches	438,000
Pianos	9,528,000
All other Personal Property.....	80,048,000
	<hr/>
	\$751,612,000

Briefly stated, this table gives values to stocks of merchandise, live stock, moneys and credits, and bank stocks, based upon specific evidence, and as to all the other items determines value from the fact that the personalty assessment is uniformly not to exceed thirty per cent. of value: This percentage is applied to the 1903 assessment, as reported for the various items.

Chairman Gilson: As to bank deposits the amount reported is one hundred and fifty to sixty millions. There is in actual moneys in those banks, however, probably not to exceed \$20,000,000. The balance of it is credits; the amount they owe their depositors. And those depositors are entitled to off-sets under the existing law in arriving at the amount they are to be taxed as credits.

AVERAGE TAX RATE UPON VALUE OF PROPERTY IN ADJOINING STATES.

You are to establish and declare for Wisconsin such a tax rate, to be levied upon railroad property, as will make that class of property pay the rate that would be paid upon the average by all the general property of the state, if all general property was assessed at its full and true value.

In the states adjoining Wisconsin this average rate of taxation does not exceed seven mills and a half on the dollar. In the State of Iowa it is about seven and one-half mills, while in Illinois, Missouri and Nebraska it is less.

It does not follow that because the citizens of adjoining states pay a tax rate of seven mills upon the full value of their property that the property owners in Wisconsin are not in fact paying a higher rate. But you are not dealing with exact conditions. The whole question depends upon how you estimate land values and how you estimate personalty values. It is a process of estimation. So it has been in a measure, in these adjacent states. My information as to facts there is gathered partly from my own personal knowledge and partly from information given me by the officials of Iowa and Illinois and other states.

The law of Iowa requires all property to be valued at full value, and then provides that it shall be assessed for taxation at twenty-five per cent. of such full value. In Illinois the proportion named for assessment is twenty per cent. of full value, by statute. There is no such statute in Missouri, or Nebraska. As to railroads, in all the states named, it is simply a question of their valuation. The assessing boards determine upon evidence what is the proportion of assess-

ment to full value adopted or prevailing in the practice of the assessors of the general property and this proportion or ratio they apply to railroad valuations, which then pay the same rate of taxation that is levied upon other property in the various taxing districts in which the railroad property is situated. The average rate upon full value in Iowa is seven and one-half mills.

Mr. Haugen: The tax paid by the railroad would vary with the different companies, depending on the taxing districts in which they run.

Mr. Baldwin: Yes; the rate of seven and one-half mills is the average rate paid by the owners of the general property in Iowa. Take the sum of all the taxes paid in Iowa and the sum of all the assessment, and it comes to about thirty-nine mills. The State Board of Equalization, in fixing the value of railroads, after a most thorough examination two years ago, found that farm lands were in fact assessed at about seventeen per cent. of their true full value; and they applied this ratio or proportion to their valuation of the railroads. This is simply another illustration of what human assessors do in the matter of taxation. The Iowa law says that all property shall be returned at its full value, and pay taxes upon twenty-five per cent. of such full value, but nevertheless the Iowa farmers assessed their farms at seventeen per cent. of value. At the 1903 meeting, after full investigation, it was decided that the ratio is now twenty per cent. Therefore, the property of Iowa is paying upon its full value an average tax rate of seven and a half mills on the dollar.

In the case of Illinois, I will read from a letter to myself from the State Auditor, stating: "Relative to the matter of valuations of taxable property in this state, as determined

upon by the various assessors, the property is not valued at its full fair cash value. The State Board of Equalization at its last session passed the following resolution: 'Whereas, it has been the opinion of the individual members of this Board ever since the receipt of the returns of the several county clerks, that the real and personal property of the state has been valued, for the purpose of assessment, for the year 1903 at not to exceed 70 per cent. of its fair cash value; therefore, in order to give expression of such opinion as a Board,

"Be it Resolved, That in the opinion of this Board, and the Board so finds after a careful investigation and full consideration, that the real and personal property of the state has been valued for the purpose of assessment for the year 1903 at not to exceed 70 per cent. of its fair cash value."*" "*

To find the average rate, take 20 per cent. of that or 14 per cent. of the rate for the whole state. In Illinois, outside of the City of Chicago, the average full rate is 45 mills. I have another letter from him stating that. So that, if you apply that in the same way you have an average tax rate upon full value of 6 3-10 mills for the State of Illinois, outside of Chicago.

Missouri has the lowest tax rate of any western state. The total tax rate upon property in Missouri is less than 21 mills; and it was a surprise to find that in the City and County of St. Louis it is just a trifle more than it is in the rest of the state.

I have here equally satisfactory information from the officials of that state that the assessment of farm property is made upon a basis of 33 per cent. Hence, the rate that is being paid in Missouri is seven mills upon full value. In Nebraska it is not over six mills.

What reason is there for believing that the general prop-

erty, the land and the personal property, in a state like Wisconsin is paying, in proportion to its actual value, a much higher tax rate than prevails in Iowa, or in Illinois, or in Missouri, or in Nebraska? It has no larger proportion of cities or towns, with high tax rates, in proportion to population. Its expenditures for state purposes, or for the cost of schools, or for county or village government, is no greater in proportion to population than is theirs. Its actual per capita wealth is fully equal to theirs. How, then, can it follow that the average tax rate upon property in Iowa and Illinois and Missouri and in Nebraska does not exceed seven and a half mills in any state, while in Wisconsin it is greater? The answer must be found in the estimate of the proportion of the local assessment to actual value.

The Commission now has substantial and satisfactory evidence that the value of the entire real estate of Wisconsin is not less than seventeen hundred and fifty millions, and that the value of the personalty equals seven hundred and fifty millions, or forty-three per cent. of the real estate. This would indicate a value for the general property of Wisconsin of twenty-five hundred millions, and an average tax rate of about eight mills.

JUDGE TAFT'S DECISION IN THE LOUISVILLE & NASHVILLE CASE.

Mr. Crandon called the attention of the Commission to the case of *Taylor vs. Louisville & Nashville Railroad Company*, decided by the United States Court of Appeals, the opinion being written by Judge Taft, now a member of President Roosevelt's Cabinet. Because of its importance and pertinence to the matters now before you, it is hoped that the

members of the Commission will consider it. It is reported in 88 Federal Reporter, page 350.

This decision, and the many others which are cited and approved in the opinion, seem to clearly justify these conclusions:

First. A constitutional provision enjoining equality and uniformity in taxation is paramount, and overrides acts of the legislature.

Second. Courts will direct a proper and equal assessment, on complaint of any class of taxpayers owning a species of property about to be taxed at higher rates than the owners of another species of property.

Third. Courts treat the assessment of the general property of the state as an entirety, and compare it in proportion to full value with the railroad assessment as an entirety, and regard as "absolutely futile" the suggestion that railroad companies go before local taxing boards and attempt to secure changes in the prevailing methods of assessment, whether as to omissions or undervaluations of property.

Fourth. All that it is necessary to show is that there exists among the local assessors of the state an intentional and systematic disregard of the law, the effect of which would be, if it was ignored, to cause railroad property to be taxed at a higher average rate than the owners of all the other property are taxed, whether this intentional disregard is through systematic failure to assess or systematic undervaluation of that which is assessed.

Fifth. Inequalities due to mere mistake, or to the fallibility of human judgment must be borne. Sporadic cases of discrimination cannot be remedied. But when there exists systematic and intentional practices in the assessment of

property, the result of which will unjustly distribute the burden of taxation, such practices cannot be overlooked.

This Commission is the supreme authority in Wisconsin, with power to take into just consideration every fact and every form of discrimination, which tends to nullify the requirement of the constitution that taxation shall be uniform.

THE IOWA TAX RATE IS SEVEN AND A HALF MILLS.

The following is one of the letters referred to in my remarks:

“STATE OF IOWA, DEPARTMENT OF STATE.

Des Moines, Iowa, January 2, 1904.

W. W. Baldwin, Esq.,

Ass't to President, C. B. & Q.,
Burlington, Iowa.

Dear Sir:

In response to your inquiry as to what is the average tax rate upon full value of property in the State of Iowa, will say that I can only refer you to the official figures as returned to the State Auditor and taken from his last public report.

He issues a statement showing that the total taxable value of all property assessed by local assessors, for the year 1901, was \$558,654,871. The taxes upon this property were paid in the subsequent year and amounted in the aggregate to \$22,542,580.45, which included \$400,000 (estimated) returned as special taxes; that is, levies in cities for sidewalks, pavements, sewers, etc., which, being deducted, leaves the general property tax, including that paid by the railroads, \$22,142,580.45. The railroads paid for that year \$1,563,492, so that apparently the amount of taxes levied upon the assessed general property, real and personal, in the State of Iowa amounted to \$20,579,088.45.

This includes poll taxes, which were considerable, and does not take any account of uncollected taxes, but if that figure is taken as the correct amount levied upon the total

assessed property, as before indicated, it would show an average tax rate upon the assessed property of a little less than 39 mills. The law of Iowa requires property to be assessed at 25 per cent. of its full value, but the State Board of Review estimated, after a careful investigation made two years ago, that the assessment of farm lands did not exceed 17 3-10 of full value.

Owing to a general increase of values there was a marked increase in the valuation of property by the local assessors and the State Board of Review in July, 1903, estimated that the valuation, when completed, was near twenty per cent. of the actual value. If twenty per cent. is taken as a correct figure it would indicate that the rate of tax to full value in the State of Iowa is a fraction less than seven and a half mills.

Respectfully,
(Signed) W. B. MARTIN,
Secretary of State."

STATEMENT OF T. A. POLLEYS ON THE VALUE OF THE
REAL ESTATE IN WISCONSIN SUBJECT TO
TAXATION.

Mr. Polleys: Mr. Chairman and Gentlemen of the Commission: I wish to be heard, as briefly as I may, upon the single question of the realty value of the State of Wisconsin, and I wish to preface my remarks by the statement and request that, in all that I may say, I desire to be understood as in entire accord with all that has been said here by the gentlemen who have preceded me, upon the following propositions: First, in the land sale statistics, as I shall call them, upon which the calculations of the Board in prior years and upon which my calculations this year, have been based, there is a large element of error. There are many improper transactions carried into those statistics which have not been eliminated, and I think cannot be elimi-

nated by any process of examination which can be carried on by the Board operating here at Madison. Secondly, the general trend of the improper matter which is present in that body of statistics is to produce, when made the basis of the calculations in the manner pointed out by the Board, too low an aggregate valuation for the realty under consideration. Thirdly, I wish to state that I agree entirely, so far as I have the means to form a judgment, in the conclusion of Mr. Dudley, that the realty of the State of Wisconsin is probably, and I think undoubtedly, worth not less than the sum stated by him this morning, between \$1,700,000,000 and 1,800,000,000; and I should say it might very reasonably and properly be argued to be worth beyond \$2,000,000,000.

In what I have to say I shall confine myself quite closely to the typewritten notes I made day before yesterday. I wish to say in direct connection with what I have just remarked, that, speaking for myself only, I am convinced that the general plan adopted by the Board for ascertaining the true value of the realty of the state is theoretically the best yet devised. Now stripped of all unnecessary details the theory of that plan—and I am speaking of the theory and not the practice—is merely this: The full cash prices for which lands within a given district are actually sold under normal conditions, in the open market, furnish the best basis for determining the actual true cash or market value of all lands within that district, whether it be an assessment district, a county or a state. The result arrived at by following the Board's plan will more and more nearly approximate the truth in just the measure that the statistics of land sales, upon which the arithmetical calculations are all based, contain only sales

made at full cash prices and under normal conditions. No one contends that the statistics of land sales thus far transmitted, from year to year, to the secretary of state by the various registers of deeds, contain all that they should contain, and nothing that they should not contain. I take it that the Board itself frankly admits this, by the effort it has made to have the law relative to such statistics properly amended, and, as amended, properly carried out by the various registers of deeds. The general tendency of the transactions, which are improperly included, as I remarked a moment ago, by the registers of deeds in their annual reports of land sales, is towards the production of too low an aggregate valuation of the realty; and I will merely enumerate a number of the different sorts of transactions of that character which have occurred to me.

First, the tax sales. They are directed to drop these out, but they do not drop them out. Secondly, foreclosure and execution sales. Third, sales subject to mortgage. Now, all these are covered by the statute, as amended, but it is perfectly obvious that the statute as amended is not being carried out and perhaps will not be carried out without careful supervision.

Mr. Curtis: The statute, as amended, includes tax sales.

Mr. Polleys: Yes.

Mr. Curtis: I thought you stated that the statute as amended did not, in form, exclude them.

Mr. Polleys: I say, it does in form exclude all these things I have mentioned. Fourth, sales of undivided interests. Fifth, sales by quitclaim, or special warranty deed. Sixth, deeds pursuant to land contracts. There is many a deed that is going on record of course in different parts

of the state where the deed is executed pursuant to land contract made long ago when the land was unimproved. The deed is made after the man has gone upon the land and improved it, and the land is worth twice or three times as much as at the time the land contract was made, and yet the consideration written in the deed is the land contract consideration. Seventh, the improper transactions to which Mr. Dudley alluded this morning, and that is the class in which the consideration is intentionally understated by the parties to the transaction. I believe—and I wish to say it frankly—that that is one of the great dangers to which the theory of the Board as to arriving at realty values will be subjected in the time immediately ahead of us.

Now, on the other hand, there are certain transactions which undoubtedly get into this body of statistics which tend in an opposite direction; but I do not think for a moment that in relative number or in relative importance they compare with the group to which I have just called attention. In this second class are, first, exchanges of real estate in which no cash, or only a relatively small amount of cash, passes and the consideration on both sides is overstated by the parties to it; that is, where each fellow is in a trading mood, and calls his property worth a good deal more than it actually is worth.

Mr. Curtis: Speculative figures.

Mr. Polleys: Speculative figures; and I do not doubt there are transactions of that kind; in fact, I remember of Mr. Haugen calling my attention to one or two transactions of that kind in St. Croix County. Then there is the group of cases where, usually by the wish of the grantee, the consideration is overstated.

Outside of those two groups I can think of nothing at

present which goes to offset the large number which I cited in the other class.

Mr. Curtis: Isn't there quite a large class of cases where something other than land has actually passed between the parties, and the consideration for the whole transaction is stated as the consideration for the conveyance? As, for instance, the transfer of a farm, including the personal property upon it?

Mr. Polleys: Yes, I heard of an instance of that kind in St. Croix County, while I was carrying on the work there, of a valuable farm that was transferred, and the last time the personalty upon the farm was included.

Chairman Gilson: The statement has been made by gentlemen representing counties before this Board seeking a lower assessment, that a large number of conveyances in their counties included personal property or other property spoken of by Mr. Curtis; and for that reason they urged that it produced too high a valuation of the property in their county.

Mr. Polleys: I think that those gentlemen see double on those things. I do not imagine that there are any large number, but I wish to be understood as conceding that things of that kind do occur occasionally; but, as compared with the large mass of transactions that get into these statistics, and properly get into them, it is a comparatively small matter, I think. Now, I believe that the Board will agree that the group of improper transactions which tends to produce too low an aggregate, on the whole outweighs the other group; and this is shown by the fact that in the process of elimination, which you have gone through here, as I know, in computing the different districts, on

the whole you have found that the process results in somewhat larger aggregates than you get without elimination. On that question of elimination I wish simply to repeat what I said before: that I do not think it can be thoroughly or properly carried on here at Madison, merely from an inspection of the reports of the registers filed at Madison. This was more fully shown by Mr. Dudley this morning, and the reason stated why that must be so. Such a process of elimination must still leave in the body of statistics many transactions which do not properly belong there. Improvement of the statistics will result from a careful supervision and checking up of the registers, and a very heartless disallowance of fees, where they do not make up such reports as they ought to from the deeds they have before them. So it seems to me that the aggregate value of realty within the state, which is reached by using the statistics as filed at Madison, whether computations are made for a long period or a short period, are uniformly lower than they would be but for the presence of improper transactions in the statistics.

So much by way of introduction.

Now, this is the main proposition to which I wish to address myself: To determine approximately the present true cash value of all the realty within the State of Wisconsin, it is unnecessary (and being unnecessary is therefore unjust) for the Board to take into account land sales for a longer period than the twelve months expiring September 1, 1903.

The determination by the Board of the value in 1903 of the general property of the state is one matter, and the determination of the value of the respective railroad properties within the state, as of the same time, is an entirely

distinct matter, and the two should not be unnecessarily coupled together by the Board. There may be, and I have no doubt there are, many reasons why the value of railroad properties can only be fairly estimated by taking a period extending over quite a number of years, which reasons do not at all control in the determination of the aggregate value of a large body of lands as of a given time.

The aggregate value of realty in the State of Wisconsin as fixed by the Board in October last, for equalization purposes, at \$1,309,504,464, was arrived at, as I understand, by calculations made in accordance with the plan or formula of the Board, and based upon the land sales within the various assessment districts, for a five years' period ending September 1, 1902.

Before proceeding farther I will give the result obtained by me, as compared with the results of the Board, in calculating, in accordance with the methods described by the Board, the realty values of Dane and Dodge counties for both the seven years' and the five years' period, and of Clark and St. Croix counties for the five years' period.

Mr. Haugen: Your periods end when?

Mr. Polleys: The seven years' period, on September 1, 1901, and the five years' period on September 1, 1902; the ratios worked out being related in each instance to the assessment of the preceding year, prior to the time the land sales reports were made out—well, that is not entirely true, because you will remember the Board itself, in having its computations made, made a change at the year 1899. For instance, the assessment rolls of the year 1899 were used by the Board itself in the computations which have been made for it based on the land sales for the year ending September 1, 1899; and also as the basis of the com-

putations for the year ending September 1, 1900. I have used them in the same manner that the Board used them, as I was informed.

Mr. Haugen: I wanted to know whether you brought it up to the 1st day of September, 1903?

Mr. Polleys: I do bring the values of the state down to that time; but the last year is no part of the five years' or seven years' period.

Now, I will ask close attention to these figures, although they are figures, and to the close comparison and correspondence which will appear throughout, between the results which I have reached and the results which the Board has reached.

On the seven years' period the Board found Dane County realty to be worth \$57,266,795. I found it to be \$57,917,106.

Dodge County, seven years' period, the Board's result, \$41,615,979; our result, \$41,734,473. ,

Now take the five years' period:

Dane County, for the Board, \$60,725,027; our result, \$60,411,723.

Dodge County, for the board, \$43,337,744; our result, \$42,243,500; the largest discrepancy that appears, I think.

St. Croix County, the Board's result, \$11,130,263; our result, \$11,196,019.

Clark County, the Board's result, \$11,786,730; our result, \$11,898,164.

I lay considerable stress upon the correspondence of the combined results, because it is not one county or one township we are figuring on; it is the state at large. The Board's

combined result for the five years' period, for the four counties, is \$126,979,764; our result, \$125,749,406.

That, you will understand, is reached by my going through the very same process outlined by your Board, taking up each assessment district by itself, and figuring the average five years' valuation, in the precise method, as I understand it, outlined and prescribed by your Board.

Mr. Curtis: Except, in making your elimination of items you exercised your judgment according to the general plan as you understood it to be by the Board; and in our work it was the exercise of the individual judgment of the person supervising the work.

Mr. Polleys: Let me say right there, I find I am corroborated in the idea that such elimination as has been made, or can be made, on the whole, when you take the state at large, or a county at large, is relatively an unimportant matter, and the eliminations that were made by me, or for me, practically amounted to nothing whatever in three counties. I took the statistics just as they were in the counties of Dane, St. Croix and Dodge. I don't think there were half a dozen transactions eliminated in our work. Those you can check. They were eliminated by Mr. Sudheimer, who was working with me.

Mr. Baldwin: Doesn't that establish, with a good deal of conclusiveness, that there were practically no eliminations made by the men who made the other computations?

Mr. Polleys: Well, yes and no. The eliminations that were made by the other gentlemen bore both ways.

Mr. Haugen: You made fewer eliminations than the Board?

Mr. Polleys: Yes.

Mr. Haugen: The Board made more eliminations than you did?

Mr. Polleys: Yes. In Clark County, I wish to say that the land sale statistics are in very bad condition; and in order to get any sort of a figure for Clark County we had to eliminate quite a good deal. Just how much, I cannot say, but the elimination for Clark County amounted to more than the other three counties combined.

Mr. Haugen: That would be so in all cases where land sales have been as numerous for the last few years as they have been in Clark County.

Mr. Polleys: Yes, I presume that would be the tendency.

Mr. Haugen: Large tracts have been sold.

Mr. Polleys: The fact that the aggregate of our computed realty value for the four counties named, so very closely approximates the aggregate of the Board for the same counties, tends to prove the relative unimportance (when the problem is considered in a large way) of such eliminations as can properly be made from a mere inspection of the statistics as filed at Madison.

It is of the utmost importance to constantly bear in mind that, so far as concerns the taxation of railroads, all the Board is required to do as to realty, is to determine, with as close approach to correctness as possible, the aggregate value of all the realty within the State of Wisconsin on the tax rolls for the year 1903, possibly I might say, all the taxable real estate within the state for that year. For the purpose of determining this general question, the Board is not concerned with, and is under no necessity to consider, what is the realty value for 1903 of each assessment district within the state, or even of each county, separately, within the state.

I now desire to call the attention of the Board to some of the facts which tend to prove that the realty values of the four counties, Dane, Dodge, St. Croix and Clark, when computed in accordance with the method of the Board, but on the basis of land sales for twelve month periods only, are substantially correct. For convenience, I shall call this the "yearly realty value" of the respective counties. I will use that phrase as a short expression.

Now, let me explain right there what I mean by that. Take the County of Dane. I first computed the realty value of each assessment district in the county separately, on the basis of the land sales in the district for one year, using the formula of the Board. Then I added together the forty-five or more assessment district realty values thus found, and their sum is what I denominate as the "yearly realty value" of the county for that particular year.

Mr. Curtis: In other words, you make calculations based upon the statistics of the sales of one year, and the assessment of one year.

Mr. Polleys: Yes.

Mr. Haugen: Don't you have this difficulty, in a great many assessment districts you will find no data to go upon?

Mr. Polleys: Yes; and when I found that was so, I just took the assessed value of the district as its full value, and I took the worst of it as it seems to me. There are not very many cases of that kind.

Mr. Haugen: When there were only one or two sales you would be about as bad off?

Mr. Polleys: Yes; but one of my main points is the self-compensating character of the errors that arise from the application of your plan. We are not dealing with a single

township. We are not dealing with a county. We are dealing with a large district, the State of Wisconsin. And these aberrations that arise from the application of your theory to facts which are slightly abnormal in a given district, simply rectify themselves; and I believe if you will watch the figures closely you will be convinced. I was simply explaining how I arrived at the gross amount of a county, in a given year. It is merely by computing each district, as you prescribe it shall be done, and then adding all the assessment districts in the county together. That is the way I arrive at these yearly values.

And now, just a few observations as to average realty values for the five and seven year periods fixed by the Board.

First, as Mr. Dudley noted this morning, it is perfectly obvious that the average value for any given period consisting of a number of years cannot be the value at the end of the period, of course, unless things have stood absolutely stationary from A to Z during that period, which they do not do, and have not done. Now if values increase uniformly throughout the period, then the average value for the period will be the value at the center of the period. These are mere arithmetical propositions, which I trust prove themselves. If values increase more rapidly during the latter half of the period—and I think we shall be able to show you they have done so—then your average value is somewhat, but not much, more than the value at the center of the period.

Now during the six years ending September 1, 1903, the average selling price of lands, per acre, in each of the four counties named, has steadily advanced, as is shown by the following table. I will take up Dane County. When I mention a year, it will be understood it is the twelve month period, expiring September 1st of the year mentioned:

1898....	13,854 acres	sold at average of	\$41.34
1899....	26,292 acres	sold at average of	43.87
1900....	30,894 acres	sold at average of	47.48
1901....	27,586 acres	sold at average of	50.03
1902....	28,701 acres	sold at average of	52.72
1903....	16,187 acres	sold at average of	53.58

Mr. Haugen: You take the figures reported by the registers. You eliminate some of those?

Mr. Polleys: Yes, that is true.

Then, in Dodge County—the years are the same—but in Dodge County the progression is as follows:

1898.....	\$58.22
1899.....	57.75
1900.....	62.99
1901.....	68.49
1902.....	72.99
1903.....	81.90

Now in Dodge County the number of acres transferred, varies from 13,000 to 22,000 per year. In St. Croix County the acres transferred varied from a little less than 30,000 to somewhat more than 45,000 per year. And the progression in selling price was as follows:

1898.....	\$12.16
1899.....	14.42
1900.....	14.71
1901.....	16.72
1902.....	21.88
1903.....	26.72

Mr. Haugen: I have \$21.90, just 2 cents difference; and the last figure is identically the same.

Mr. Polleys: Clark County you will find different. There

the acreage transferred was abnormal, certainly, in some of the years. I think I will read the acreage transferred:

1898.....	36,327
1899.....	92,373
1900.....	133,394
1901.....	73,284
1902.....	76,816
1903.....	62,216

You have to eliminate a large number of transfers in order to arrive at any computation.

Mr. Curtis: You reached the conclusion that the Clark County sales included some tax sales as well?

Mr. Polleys: I didn't have time to look into that point, as you undoubtedly have. I found this was more than the four days' job I told you I thought it would be.

Now, the progression of average selling price, in Clark County, is very striking. Beginning with 1898 the selling price per acre advanced as follows:

1898.....	\$ 9.56
1899.....	8.77
1900.....	9.17
1901.....	13.59
1902.....	16.24
1903.....	18.19

Mr. Haugen: You are a little higher than I am the last two years.

Mr. Polleys: Now right there, let us just call attention to the jump from 1902 to 1903. In Dane County it advanced from \$52.72 to \$53.58; in Dodge County from \$72.99 to \$81.90; in St. Croix County from \$21.88 to \$26.72; in Clark County from \$16.24 to \$18.19. Now, your five years'

period, which is the basis of your October, 1903, valuation of realty, takes no account whatever, of course, of any of the advance in selling price which has gone on for the twelve months expiring September 1, 1903.

Mr. Baldwin: Just for my information, will you give the first and the last?

Mr. Polleys: Dane County advanced from \$41.34 to \$53.58; Dodge County advanced from \$58.22 to \$81.90; St. Croix County advanced from \$12.16 to \$26.72; Clark County advanced from \$9.56 to \$18.19.

In Dodge, St. Croix and Clark counties, lands, or acre property, comprises the great bulk of the realty value of the counties. In Dane County, Madison and other incorporated cities and villages comprise not far from one-third of the realty value of the county.

I am now coming to several cross-checks upon my yearly realty values for these counties.

If, as we contend is the fact, the yearly realty value of the four counties named is substantially correct, then we ought to expect to see such yearly value advancing from year to year, substantially in the measure that the average price per acre for which lands were sold, increased, and that is precisely what we do see from an inspection of the following table.

Now I am giving you my yearly values as computed in the manner I have stated, for the different counties; and you will see where it drops back slightly—but in the same places you will find a slight drop-back in the selling price also.

In Dane County this is the progression of yearly realty values of the county, beginning with 1895:

1895.....	\$51,536,743
1896.....	53,979,644
1897.....	53,065,969
1898.....	57,095,451
1899.....	55,316,097
1900.....	58,659,456
1901.....	67,664,496
1902.....	71,003,999
1903.....	76,672,541

Mr. Curtis: Those were your yearly values?

Mr. Polleys: Yes.

Mr. Curtis: Your statistical matter will all be filed?

Mr. Polleys: Yes; but I have but one copy, and I would like to preserve it.

In Dodge County the progression of yearly realty values is as follows, beginning with 1895:

1895.....	\$40,311,197
1896.....	41,272,543
1897.....	39,142,112
1898.....	40,630,970
1899.....	42,241,308
1900.....	43,231,109
1901.....	46,055,087
1902.....	48,040,344
1903.....	52,782,201

Now the same thing is shown, if you take up St. Croix and Clark counties. You see, as you would expect to see, the aggregate value of the lands of the county keeping pretty close step with the progress of the advance in market price per acre of the land. But that is not all.

If the yearly realty values of these several counties are ap-

proximately correct, as computed by us, we ought to find that the yearly values for what may be termed the center years of the seven and five year periods (being 1898 and 1900, respectively) are somewhat, but not greatly less than the average values for the respective periods, inasmuch as the price per acre for lands sold increased more during the latter half than during the first half of the respective periods. The table following shows how well the yearly values of 1898 and 1900 stand this test:

	Average Value.	Yearly Value.
Seven years' period—		
Dane County	\$57,266,795	\$57,095,451 (1898)
Dodge County	41,615,979	40,630,970 (1898)
Five years' period—		
Dane County	60,725,027	58,659,456 (1900)
Dodge County	43,337,744	43,231,109 (1900)
St. Croix County	11,130,263	10,926,355 (1900)
Clark County	11,786,730	10,015,618 (1900)

Now, this is a hard matter to present in a very enticing form, but I trust I make myself plain to the Board as I go along. If I do not, I wish you would interrupt me. I take it that all the members of the Board are entirely familiar with the arithmetical processes which have been used in arriving at the different results, and therefore understand the system of cross-checking I have attempted to introduce here.

The further fact that the yearly realty values of a given county for the several years of the five year period, added together, and the sum divided by five, gives an average value for the period closely approximating the average value arrived at by following the Board's method of computation,

is additional confirmation of the position that the yearly realty values thus added together are severally substantially correct. That is what I am trying to prove, that the last one is correct, too. Have I made myself plain on that proposition? When you tried to arrive at the value of the Town of Albion in Dane County for your five years' period you did not compute what it was worth on the basis of each twelve months' period, and then add those yearly values together and divide the aggregate by five, but you threw into one continuous computation all the acres transferred during the entire five years' period in that township and divided the gross consideration into the gross assessment to reach your ratio, and then applied that ratio to the average assessment during the five years, of all the realty.

Mr. Curtis: Seeking to avoid averaging averages.

Mr. Polleys: Yes; and because averaging averages in the tests I have made brings you back to substantially the same average result is to my mind further proof that the individual sums thus thrown together and added, and divided by five, must each of necessity closely approximate the truth, assuming your average result to represent the true average value.

The following table shows the very close agreement between the average realty value of the four counties named, as computed in accordance with the Board's plan, and as computed by adding together the five separate yearly values for each county and dividing their sum by five,—the average of averages method:

	BOARD'S METHOD.	AVERAGE OF AVERAGES METHOD
Dodge County	\$ 43,337,744	\$ 44,039,764
Dane County	60,725,027	61,947,900
St. Croix County	11,130,263	11,188,566
Clark County	11,786,730	11,288,473

Four counties combined	\$126,979,764	\$128,464,703
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Mr. Polleys: The foregoing figures clearly show that the larger the district covered by the computation is made, the more closely does the average value for the five year period arrived at by adding together the five yearly values, and dividing the sum by five approximate to the average result arrived at by following the method prescribed by the Board, and thus tends to show that as the districts computed grow larger, the more nearly do the yearly values for such districts approach the truth, assuming the truth to be the average value that the Board has figured out.

Mr. Curtis: Isn't it always true that in dealing with averages the larger the amount of data you take the less erratic the results you get from any incorrect data used as one of the factors?

Mr. Polleys: Of course, that is the simple proposition I am working on right along.

Te recapitulate the four facts I wished to call your attention to, as seeming, to my mind, to be of great force in proving that the yearly values I got for the different counties are substantially correct, if you assume that your average values for the 5 years' period are correct: (1) It is a fact that the value at the end of the period must be a good deal more than your average value, because the prices have risen; (2) the yearly values progress substantially in con-

formity with the rise of prices; (3) the yearly values for the center years of the period coincide remarkably with the average values of your period; and (4) you get an average value of the period by adding together my yearly values and dividing by 5, which approximates exceedingly closely the average valuation which you get in the other way.

Now, of course, I didn't have time to do the 70 counties of the state in the manner prescribed by the Board; and so it was necessary if I made any computation of the state as an entirety, to adopt a shorter cut than I had yet found. So I resorted to what I will allude to, and will now explain, as the "county recapitulation plan." Of course, you remember the little tables that are attached by the register of deeds, to the land sales reports as they come in from year to year. He puts down the number of acres that are sold as covered by that report in the 12 months period ending September 1st for the given year; and the total consideration for which they are sold, and the total amount for which those acres are assessed. Then he gives the lots in the same manner. Assuming he has performed his arithmetic correctly—which is a violent assumption—you have the basis for two examples in ratio. I did not verify those figures. I took the whole county in that way and performed 140 examples of ratio—or 142, if there are 71 counties.

Mr. Curtis: You took his data for those arithmetical calculations, and calculated them over for him?

Mr. Polleys: He hadn't figured out these particular things. I didn't check him on a single thing.

Mr. Haugen: Most of the registers figures had the value per acre, or lot.

Mr. Polleys: Yes; but not the ratio between the assessment and the consideration. I simply took those 71 recapitulations, as I found them attached to the 1903 land sales reports and figured out the ratio in each county for the lands, and the ratio for the lots. Of course it goes without saying that there is a large additional element of error in the thing, as I did it; but, for the reason that the large additional element of error is there, and that it cancels all out again, I lay a good deal of stress on the idea that these errors that come in merely from the application of your formula, are largely self-compensating when applied to a large district like the state. I am not speaking of the effect in the body of statistics of the large number of things that should not be there.

Now just briefly, I will finish this up. You all know the work I must have gone through to arrive at the value of Dane County on your plan for the year ending September 1, 1895; and so with each other year throughout the period ending September 1, 1903. But it was not much work, comparatively, to compute the entire state on the county recapitulation plan.

The following table shows the yearly realty values of the four counties specially investigated, (1) as computed in accordance with the method of the Board and (2) as computed by the county recapitulation method:

	Board's Method.	County Recapitulation Method.
Dane County:		
1895.....	\$ 51,536,743	\$ 50,462,006
1896.....	53,979,644	55,090,348
1897.....	53,065,969	52,188,081
1898.....	57,095,451	55,264,820
1899.....	55,316,097	54,843,927
1900.....	58,659,456	58,418,735
1901.....	67,664,496	65,426,733
1902.....	71,003,999	69,871,534
1903.....	76,672,541	75,946,349
Total.....	544,994,396	537,512,533
Dodge County:		
1895.....	40,311,197	40,270,870
1896.....	41,272,543	39,984,260
1897.....	39,142,112	38,599,236
1898.....	40,630,970	41,084,469
1899.....	42,241,308	41,525,242
1900.....	43,231,109	40,156,678
1901.....	46,055,087	46,005,150
1902.....	48,040,344	46,155,390
1903.....	52,782,201	53,027,776
Total.....	393,706,871	386,809,071
Clark County:		
1898.....	7,898,479	7,904,696
1899.....	8,093,575	8,101,784
1900.....	10,015,618	8,048,678
1901.....	13,772,392	12,150,221
1902.....	16,662,300	16,311,281
1903.....	18,931,820	18,567,607
Total.....	75,374,184	71,084,267

St. Croix County:

1898.....	9,881,951	9,776,608
1899.....	9,430,792	11,050,798
1900.....	10,926,355	10,918,090
1901.....	11,307,908	11,345,566
1902.....	14,395,825	13,990,826
1903.....	16,458,508	16,757,297
Total.....	72,401,339	73,839,185

Four counties combined .. \$1,086,476,790 \$1,069,245,056

Upon the strength of the results shown by the foregoing table, I thought I would be justified in going on and figuring the seventy counties upon the recapitulation basis for the twelve months' period, expiring September 1, 1903, as a means of arriving at the realty value of the State of Wisconsin in 1903. I did that, and excluding Wilwaukee County, which we have treated separately, by itself—as the Board has done before us—I found, as was stated by Mr. Dudley this morning, that the realty value of the remainder of the State of Wisconsin was substantially \$1,312,000,000; to which must be added the realty value of Milwaukee County, which is put by Mr. Dudley and the other gentlemen at \$346,000,000, making a total realty value for the entire state of \$1,658,000,000, which under any circumstances, and in any event, it seems to me is the very lowest that it could possibly be put, and ought to be put.

Mr. Dudley: You are using the 1902 assessment roll.

Mr. Polleys: Yes; because that was necessary, in order to comply with the method of the Board.

Chairman Gilson: By your computation in 1903, what was the value of Milwaukee County?

Mr. Polleys: \$252,000,000; and I checked that up for the five years' average, using the county recapitulation plan; and that is about what it has been for some years; and the Board has been constantly finding Milwaukee County realty worth a good many millions more than that for several years; has been finding its value about two hundred and ninety millions for the past three years. Of course I do not know how great the elimination may have been carried on in Milwaukee County by the Board. Unless there was very great elimination carried on I do not see how we could arrive at the Milwaukee result, as found by the Board for the past three years.

Mr. Crandon: Sixteen hundred and fifty eight millions?

Mr. Polleys: Yes.

Mr. Crandon: Ours was about 1,800,000,000.

Chairman Gilson: Still, you confirm Mr. Dudley's estimate?

Mr. Polleys: It seems to me it is decidedly a confirmation of his estimate, for there are a great many things in the statistics used by me which do not belong there, and my result is necessarily too low.

Chairman Gilson: You took the registers figures for each county for 1903, ending September 1st?

Mr. Polleys: Yes.

Chairman Gilson: You took the assessment of 1902?

Mr. Polleys: Yes.

Chairman Gilson: For each county?

Mr. Polleys: Yes. I do not take the assessment of 1903. I followed the Board's method, I think, in all respects.

Mr. Dudley: At the time Mr. Polleys made the figures the 1903 assessment roll was not available.

Mr. Haugen: Mr. Dudley, if this preliminary hearing was held at the time required by law, between the 1st and 15th of September, it would be impossible to use the figures of 1903. You have to use the figures of the preceding year.

Chairman Gilson: Why do you use the assessment of 1903, instead of 1902.

Mr. Dudley: We considered that we had to do merely with the 1903 values of general property; and the assessment roll of 1903, was the only property we had to do with—the property on that roll. We were trying to get the true value of that property. We had the American Appraisal Company appraise the property as of May 1, 1903, comparing with the identical descriptions of 1903; and applied that also to the 1903 roll. All our figures are based on the value of property as we supposed it to be in 1903; and the assessment roll of 1903, we have used as a basis.

Mr. Haugen: If they were held at the time the law contemplates, the assessment roll would not be available, and sales would not be available.

Mr. Dudley: The law does not require you to follow this method, this register of deeds method. If it does not arrive at the proper result, it ought to be discarded.

Mr. Haugen: We have considered it the best available.

Mr. Dudley: You have heretofore; but in future we hope you will not.

Mr. Crandon: We are about to leave, some of us, soon, and there were one or two inquiries we wanted to make. First, I want to state, that we are in shape to prosecute the inquiries that we have been prosecuting, if the doing of it will be of value, and we can get the results before you in time to be of service for this year.

Mr. Baldwin: You mean in other counties.

Mr. Crandon: In other counties, yes. I would like to know what the Board of Assessments think in regard to that; first, whether they care for further investigation along the lines that have been indicated, that up to what time they would think that they could avail themselves of the results of such inquiry.

Mr. Dudley: I think perhaps we might as well state specifically what we can do. About all the investigation that could be done now would be in the nature of making transcripts of deeds reported to the registers of deeds, and reading those deeds and seeing whether they ought to have been reported or not.

Mr. Curtis: Completing the work in Ozaukee and Racine counties?

Mr. Dudley: No; not completing that; I thought perhaps it would be best to take up other counties and make a transcript of the deeds returned by the registers of deeds, and read the deed itself, as was done in Ozaukee and Racine. In Milwaukee County we went beyond that. After eliminating those transfers which on the face of the deed should not have been returned, then further inquiry was made of the parties to the transaction. Now what I would suggest would be that we continue the work, so far as it can be continued at the county seats merely. It would be difficult to run all over the county and find parties to the transaction and make inquiries.

Mr. Curtis: How many counties could you cover in that way in the next thirty days?

Mr. Dudley: I don't know.

Mr. Crandon: In the way Mr. Dudley suggests?

Mr. Curtis: Yes, in the way now indicated.

Mr. Crandon: Mr. Brown said, in an offhand way, that he thought with such assistance as he could command, he could do practically four counties a week. That would be from sixteen to twenty counties in the thirty days.

Chairman Gilson: I think, Mr. Crandon, that the Board had better take that matter under advisement for perhaps two or three days, and determine whether or not we would suggest any further investigation. You are aware, of course, you are very sensible of the fact, that the time in which we are to make a preliminary valuation and final valuation of the general property of the state, and of the railroads, is not very long.

Mr. Crandon: We understand that. We only want to accommodate ourselves to your convenience, and perform any service in our power. Will you write me then?

Chairman Gilson: Of course you cannot cover the entire state, and the most you can do would be to take up a few counties and perhaps present those as arguments for making the value of the real estate throughout the entire state.

Mr. Polleys: Wouldn't it be well, in case the Commission desires to call for this further work, for them to select a list of counties that they think would be most representative?

Mr. Curtis: The Commission would be, perhaps, glad to avail themselves of that suggestion, if we feel that we will have time to consider further data in that way.

Chairman Gilson: We would be very glad to have you continue the investigation if it could be presented to us, and we verify it, if we thought fit, within the period before the valuation.

Mr. Crandon: Will you write me what you think of it?

Mr. Crandon: As a final word for to-day, so far as I am concerned, I want to call to the attention of the Board what they know very well, and perhaps are thinking about a great deal oftener than I am. Still it is a matter which I think it very well worth our while to keep always in mind: There are some statutory provisions that have been referred to here to-day—I do not mean by the Board, but by ourselves—which would seem to indicate that the line of investigation of the general property of the state is necessarily and specifically limited to the property which is on the tax roll. In a case that was carried to the United States Court of Appeals in Tennessee, the question of a statutory regulation which prevented the consideration of a full examination of the matter of values—a question which was not identical with but was similar to the one with which we have to deal—was disposed of by the court in this way:

“The constitutional right of every tax payer to pay his taxes at the same rate with every other tax payer, overrides any statutory provision, and the courts will find some way of giving effect to that principle.”

If then, it should appear that in the State of Wisconsin there are bodies of property that are not on the tax roll, and are therefore not being considered, but which, if they were on the tax roll, would limit the rate of taxation which you will finally apply to whatever assessment of railroad property you shall think is fair, would not the application of the doctrine announced call at least for a consideration of property that ought to be assessed, but is not assessed? If it is the constitutional right of every taxpayer to be put on an equality with his neighbor, and if that constitutional right as was said by that court, overrides any statutory enactment, then if Mr. Baldwin's exposition of the grossly inadequate assessment which has been placed upon the per-

sonal property of the state, and his claim that it ought to be greatly enhanced is true, and if our claim that the real estate ought to be assessed at a much higher rate than had been placed upon it, is correct, and that unless such advances in the assessment of both the real and personal property are made, the rate of taxation to be put upon railroad property will be unequal to the rates of taxation paid by other taxpayers in the state, and if the blind following of some provision of the statute, would result in producing such an inequality, would not the Board of Assessment be justified in considering that fact, and giving effect to the principle announced by the United States Court in its final determination of the rates of taxation to be paid upon railroad property after the assessment is made? I do not now ask an answer to the question. I state the proposition and I think that I have properly indicated the law. I know that equity would demand the action which I suggest, and I hope that the matter will not escape the consideration of the gentlemen who, I am sure, desire to treat fairly every proposition that is before them.

Chairman Gilson: What case is that? Do you remember the title of it?

Mr. Crandon: The Louisville & Nashville Railroad against the State of Tennessee.

Professor Taylor: In the 89 Fed. Reporter—or the 88th.

Chairman Gilson: It was first decided by Judge Clark at Nashville; and afterwards by the Court of Appeals at Cincinnati.

Is there any other gentlemen here that wishes to be heard?

Hearing adjourned.



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